MDS
Science advancing health

GROWTH + VALUE

Pt I

2002 ANNUAL REPORT

OUR NEXT 10 YEARS

MDS

MDS is an international health and life sciences company, helping customers in the pharmaceutical and biotechnology sector speed the process of drug development, while helping health care providers in the prevention, rapid diagnosis and treatment of disease. With over 10,000 employees in 25 countries, MDS businesses have achieved leadership in strong regional and global markets. We are a leading global provider of drug discovery and development solutions, highly sensitive analytical instruments, medical isotopes, gamma sterilization technology, and oncology information management systems, and we are Canada's leader in laboratory services, specialized/esoteric testing, and distribution of medical products. As well, we are a leading developer of proteomics technology and we are a leading investor in medical technologies in North America.

MDS operates in three segments—Life Sciences, Health and Proteomics.

Life Sciences

Our Products & Services	Our Businesses	% of MDS Revenues
We help pharmaceutical and biotech companies and manufacturers of medical products by providing:		
> Drug discovery and development services	> MDS Pharma Services	28%
> Highly sensitive analytical instrumentation	> MDS Sciex	12%
> Medical isotopes used in diagnostic and radiotherapeutic applications	> MDS Nordion	19%
> Radiation treatment and information management for oncology		
> Sterilization technology for medical and consumer products		

Health

Our Products & Services	Our Businesses	% of MDS Revenues
We help in the prevention, rapid diagnosis and treatment of disease by providing:		
> Broad access to a full range of clinical, anatomical, esoteric and genetic laboratory information	> MDS Diagnostic Services	30%
> Transformation and management of hospital laboratories under contract and through joint ventures	> Source Medical	11%
> Development of highly sophisticated, automated laboratories		
> Distribution of medical products to hospitals and other health care institutions		

Proteomics

Our Products & Services	Our Businesses	% of MDS Revenues
Focused on providing functional proteomics services to pharmaceutical and biotech companies	> MDS Proteomics	not material

AT-A-GLANCE

A growing presence in international markets

	1992	2002
Other International	22%	24%
United States	23%	39%
Canada	55%	37%

1992
$459 million

2002
$1.8 billion

MDS is one of Canada's top 50 exporters and R&D spenders.

Our Customers & Partners

Our Life Sciences customers include many of the world's leading pharmaceutical and biotech companies:

Abbott, Allegiance Healthcare, Amersham, Amgen, Apotex, Baxter Healthcare, Becton Dickinson, Bristol-Myers Squibb, Daiichi Radioisotope Laboratories, Glaxo, IDEC Pharmaceuticals, Johnson & Johnson, Nihon Medi-Physics, Novartis, Pfizer, Sankyo, Schering, Takeda, TAP, 3M, Tyco Health Care-Mallinckrodt

Our Customers & Partners

Our Health customers and partners include hospitals and providers of health care funding:

Baptist Memorial Healthcare Corporation-Memphis, Calgary Health Region, Duke University Health System, Government of British Columbia, Government of Ontario, HCA Hospitals in Florida and Georgia, University Health Network-Toronto

Our Customers & Partners

Abgenix, Harvard Partners, IBM

At MDS, our operations are broadly international, with a strong and growing presence in the advanced health care markets of North America, Europe, and Asia Pacific.

From our operations and businesses in Canada and around the world, we serve markets which are truly global: over 60% of our sales are in and to markets outside of Canada and we are the global market leader in a number of important niches in the health, pharmaceutical and biotechnology markets we serve.

MDS, SCIEX, MDS Proteomics, Oncentra and DrugMatrix are registered trademarks of MDS Inc. or its subsidiaries.

MDS Sciex markets its instruments under the brand names "Applied Biosystems | MDS Sciex" and "Perkin Elmer Sciex" through its joint venture partners, Applied Biosystems, a business of Applera Corporation, and EG&G Inc., respectively.

All dollar figures are in Canadian funds unless otherwise stated.

At MDS, our vision is to build an enduring health and life sciences company, making a distinctive contribution to the health and well-being of people around the world. We do this by providing our customers—pharmaceutical and biotechnology companies and health care providers—with products, services and information for the prevention, diagnosis and treatment of disease.

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Through long-term planning and ongoing evolution, we have delivered consistently strong results and we have built considerable shareholder value, with fourfold growth over the past decade—and the decade before that, and the decade before that. We are a different company than we were 10 years ago, more multidisciplined with a broader customer base and leadership in a number of new and important markets. Our vision is clear, and so is our commitment to building shareholder value. We believe we will continue to deliver 15% annual growth in earnings and revenues over the next decade because we are strongly and uniquely positioned in the dynamic growth markets of today and of tomorrow.

Years ended October 31	**2002**	2001	2000
FINANCIAL RESULTS (millions of Canadian dollars)			
Revenue	**$ 1,792**	$ 1,636	$ 1,435
Operating income	**$ 212**	$ 154	$ 178
Net income	**$ 105**	$ 73	$ 110
PER SHARE			
Earnings per share—basic	**$ 0.75**	$ 0.52	$ 0.86
Earnings per share—core businesses*	**$ 1.02**	$ 0.70	$ 0.75
FINANCIAL POSITION (millions of Canadian dollars)			
Total assets	**$ 2,542**	$ 2,402	$ 2,372
Shareholders' equity	**$ 1,354**	$ 1,243	$ 1,185
Long-term debt	**$ 615**	$ 553	$ 551

* Core businesses include Life Sciences and Health. See page five of 2002 Financial Review for details.

Life Sciences

MDS Pharma Services

> Established an exclusive, strategic clinical research partnership with Japan's largest pharmaceutical company, Sankyo Pharma

> Secured two large global clinical research contracts totalling $80 million over six years

> Established Drug Development Programs service to leverage our scientific and regulatory expertise across our full spectrum of services

> Expanded our global facilities in Hamburg, Germany; Zurich, Switzerland; Neptune, New Jersey; and Phoenix, Arizona

> Launched DrugMatrix™—a highly unique, industry-leading chemogenomics database developed in partnership with Iconix

MDS Nordion

> Zevalin—the first FDA approved radiotherapeutic, for which we provide the yttrium–90, was approved for Medicare reimbursement

> Received approval to resume low-power commissioning of MAPLE 1 reactor

> Introduced Oncentra™—a cancer treatment planning system

> Sold our high-dose radiation (HDR) brachytherapy business to Varian Medical Systems for $17 million

> Installed additional capacity for cobalt–60 production at Ontario Power Generation's Pickering Nuclear Generating Station B

Health

MDS Diagnostic Services

> Announced a collaborative alliance with ARUP, a leading esoteric testing laboratory, to provide esoteric testing services for our US hospital joint ventures

> Launched esoteric tests including sirolimus—a test useful in managing organ rejection in kidney transplant patients, and PTH CAP/CIP Ratio—a new test for measuring parathyroid function

Source Medical

> Launched "SMCe™"—Canada's first on-line medical/surgical catalogue

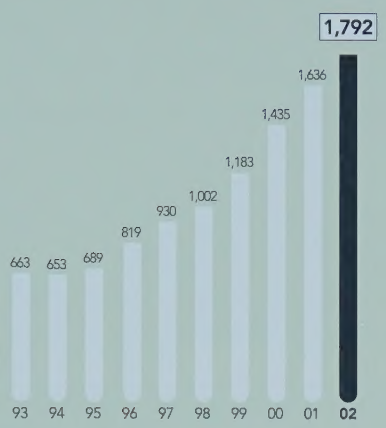
MDS Matrx

> Divested of MDS Matrx—a small medical distribution business in Buffalo, New York, in a management buyout of the business

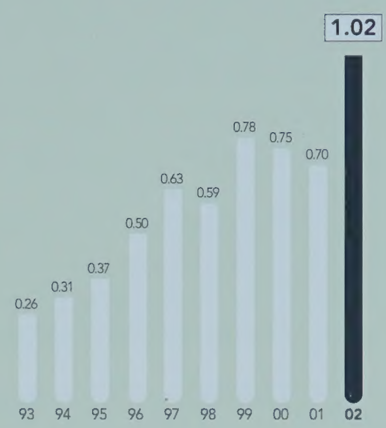
At MDS we maintained our long-term growth pace with a strong performance in fiscal 2002. Revenues climbed by 10% to the record level of $1.8 billion, with significant contributions from our pharmaceutical research business, where markets rebounded strongly, and from our analytical instruments business, which grew by 38%. With the growth in revenues, operating income from our core businesses exceeded $200 million, an increase of 38%. At the same time, we made significant progress with key business strategies.

Earnings per share from our core businesses have grown 16% on a compounded basis over the past ten years. We focus on EPS from our core businesses because this includes our Life Sciences and Health segments and excludes unusual items. In recent years, this figure has excluded MDS Proteomics. We believe the earnings from our core businesses give a more accurate picture of the fundamental trends affecting MDS. More details about EPS can be found in the Management's Discussion and Analysis section of the 2002 Financial Review.

Revenues millions of Canadian dollars



Earnings per share from core businesses in dollars per share



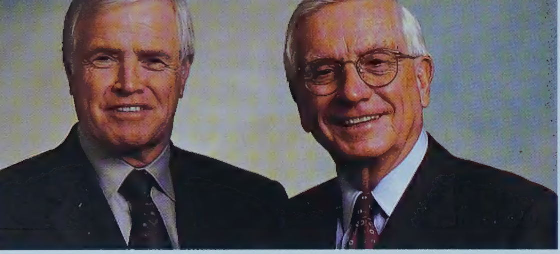
MDS Sciex

> MDS Sciex and Applied Biosystems were successful in a patent infringement suit against Micromass/Waters—resulting in a US$52.6 million award and an injunction prohibiting the sale of infringing products in the US market

> Launched Q TRAP™ LC/MS/MS System—a new entrant into the ion trap market targeted at proteomics customers

MDS to achieve aggressive financial targets

Revenue target STATUS	$2 billion in revenues by 2003 **$1.8 billion in revenues in fiscal 2002, on target based on goal set in 1998**
EPS target STATUS	15% compound growth in earnings per share over rolling five-year periods **10% compound growth in EPS over the past five years** **16% compound growth in EPS over the past ten years**
ROCE target STATUS	15% average pre-tax return on capital employed over rolling five-year periods **13% average pre-tax ROCE over five years** **14% average pre-tax ROCE over ten years**
International sales target STATUS	60% of sales from international markets by 2003 **63% of revenues from outside Canada in fiscal 2002, exceeding 1998 goal**



John A. Rogers
President and CEO

Wilfred G. Lewitt
Chairman

2002 was a record year for MDS and capped another decade of strong growth. Thanks to the efforts of the more than 10,000 people in our businesses around the world, we have delivered strong performance while making progress towards our long-term goals.

MDS is entering its fourth decade as a public company. Each decade has seen significant growth, change, evolution and value creation. The results and achievements of 2002, detailed in the separate financial review, are part of a continuum. The results and achievements of next year will also be part of this continuum. We look to the long-term, and that has enabled us to deliver solid results over the short and medium-term.

As we look back, our growth path has not been a straight line, as our core products, services and markets are at varying levels of maturity. It takes time for new technologies to capture markets and deliver stable cash flows. But by continuing to plan and prepare for the future, we have delivered average annual growth per year exceeding 15% for every decade since we became a public company.

In the MDS Management Report following this letter, we have drawn on input from our executive team—which has evolved and strengthened over the past decade—to provide an overview of what lies ahead in our next 10 years.

We take a look back to underline our steady, consistent approach to long-term planning, balanced risk taking and growth. We take a look forward at the next decade in biological sciences—the trends and developments that point to growth markets. We look at MDS today—our strengths and unique positioning for the future. We look at our key avenues of growth. And we review our core strategies for the continued progress of MDS and for ongoing creation of shareholder value.

We hope this provides a sense of the dynamics of this Company as we move forward. A decade ago, we could not have told you what we would look like today. Looking ahead, we cannot tell you exactly what MDS will look like in terms of our specific products and services and markets, but we do know that MDS will be a thriving leader because we know how to grow, we are uniquely positioned, we have outstanding people and management depth and we have a core purpose we all care about.

Over the past year, we have all become much more aware of the importance of good, effective corporate governance. This has long been a focus for us at MDS, as is indicated in our Corporate Governance section on page 18. We greatly appreciate our highly qualified and independent members of our Board of Directors, and the seriousness with which they take their responsibilities. We thank them for their dedication and support. In particular, we thank Michael Warren, who is retiring this year after 27 years of service.

In the year ahead, we expect further progress, with growth in revenues and earnings at somewhere near our historical norms. In the decade ahead, we see strength and opportunity, and we are ready to move forward.

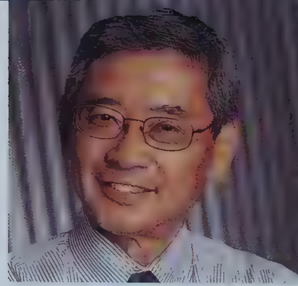
Wilfred G. Lewitt
Chairman
December 11, 2002

John A. Rogers
President and CEO

In the rapidly changing and evolving field of health and life sciences, the question arises: Can MDS sustain its pace of growth? Can we continue to grow and build value over the next 10 years as we have in the past? Our answer is yes.

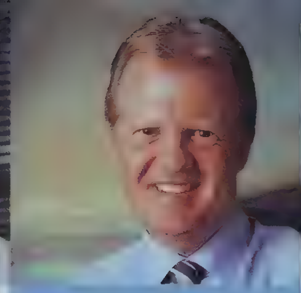
THE PAST TEN YEARS—HOW MDS HAS EVOLVED

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
	Acquired Nordion from AECL		Introduced AutoLab—fully automated lab system	Entered the CRO market with acquisition of PanLabs	Established MDS Pharmaceutical Services following the acquisition of Harris Laboratories and Neo-Pharm Laboratories	Formed Source Medical in joint venture with Allegiance	Acquired Theratronics from AECL	Launched MDS Proteomics to focus on the cutting-edge science of proteomics	Acquired Phoenix International Life Sciences and launched MDS Pharma Services Listed on the New York Stock Exchange with the symbol MDZ	Entered into joint venture agreement with Duke University Health System Launched the API 4000	MDS Sciex/ABI successful in patent infringement suit against Micromass/Waters
Revenues	459	663	653	689	819	930	1,002	1,183	1,435	1,636	1,792
Employees	5,223	5,930	5,863	6,136	6,670	6,830	7,065	8,467	10,379	10,597	10,885
Assets	640	725	724	730	889	938	1,069	1,299	2,372	2,402	2,542



Ron Yamada
Executive Vice-President
MDS Inc.

John Gleason
Senior Vice-President
Business Development



Jim Reid
Executive Vice-President
Organization Dynamics

"What we see looking back at the evolution of MDS is what we see moving forward: a dynamic, growing [illegible]"

A decade ago, MDS was a mid-sized company with revenues of $459 million and operating income from core operations of $59 million—both at one quarter of today's levels. Our Canadian markets represented 55% of revenues and we were still a relatively minor player in global markets.

We were moving forward in relatively new disciplines for MDS: in the prior decade, we had evolved from a focused lab services company to a broader health and life sciences company having entered the mass spectrometer or specialized analytic instruments business with the acquisition of Sciex in 1981, the medical supply and distribution business with an investment in Ingram & Bell in 1987, and the radioisotopes business with the acquisition of Nordion in fiscal 1992.

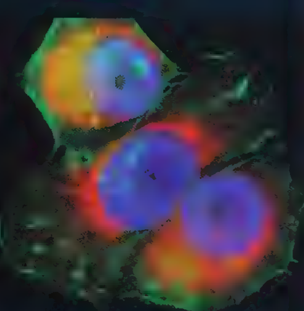
With these new product and service lines, we were able to forge ahead in new fields with new opportunities. Growth in global health care markets accelerated in the 1990s, exceeding basic GDP growth by a substantial margin. MDS grew and evolved with it, identifying attractive new opportunities, meeting our long-term targets, delivering results, and reinvesting in existing and new businesses and disciplines to secure future avenues of growth.

Perhaps the most significant change in the past decade was our move into contract research services for drug development, with a number of acquisitions—the largest ones being PanLabs in 1995, followed by Harris Laboratories in 1996 and ultimately Phoenix International Life Sciences in 2000. These moves—which were the result of careful planning and analysis—have positioned us well for the future and as a premier provider of innovative drug discovery and development solutions for the pharmaceutical and biotech industry. These acquisitions have broadened our capabilities and capacities to more strategically partner with our customers in all phases of drug discovery and development.

At the same time, we looked to the longer-term and saw the potential in protein research as an emerging discipline. We launched MDS Proteomics in 1999, not as a core business, but to gain a foothold and accelerate development of a field that promises to be a transformative discipline in global health and life sciences, opening up opportunities for a number of our other businesses, products and services.

Today, as we enter 2003, revenues are approaching $2 billion, operating income is over $200 million and over 60% of our revenues are earned outside of Canada. The product and service businesses we entered or acquired in the past decade now represent a healthy 55% of the Company. With the changes of the past decade, MDS has reached a new stage in our history and we will continue to evolve.

By applying advanced scientific and technological expertise to each stage of the drug discovery and development process, MDS is able to meet the needs of pharmaceutical and biotech customers.



The application of leading proteomics capabilities will enable the development of more targeted therapeutics and diagnostics.

Revenues
(millions of dollars)

PROJECTED HIGH GROWTH IN THREE EMERGING DISCIPLINES

Radiotherapeutics
Combining cancer drug therapies with radioisotopes, radiotherapeutics is proving increasingly effective in the treatment of cancers, with ongoing development pointing to further breakthroughs.

Proteomics
Based on the science of protein analysis—to enhance understanding of how proteins regulate cells, tissues and organs—proteomics is a promising new route to drug discovery in the battle against diseases including: cancer, AIDS and depression.

Esoteric/specialized testing
Esoteric testing, which includes genetic testing, helps physicians predict, prevent and manage disease more effectively by mapping an individual's predisposition to medical conditions and disease.

THE NEXT TEN YEARS— WHAT WE SEE IN OUR INDUSTRY

Andrea Bodnar
Senior Vice-President and
Chief Information Officer

Andy Boorn
President
MDS Sciex

Ian Lennox
Group President and Chief
Executive Officer, Pharmaceutical
and Biotech Markets

"We believe the next decade will deliver more progress and change in the biological sciences field than the last three decades combined."

Advances in science have been accelerating with every year that passes, due to new technologies and tools and an increased research focus worldwide. Each new breakthrough opens up a new range of opportunities. As we look ahead, we believe the next decade will deliver more progress and change in the biological sciences field than in the previous three decades combined, signaling continued strong growth in global health and life sciences.

In previous reports, we have noted trends driving growth in global health care in general and in the health and life sciences products and services of MDS in particular. These trends will continue to reshape global health and life sciences and drive growth.

1. Demographics

The aging population in North America and in our key global markets in Europe and Japan has created a major demographic shift and has driven growth in global health care spending. Aging baby boomers who, as a generation, represent unprecedented wealth and increased awareness of health issues, are seeing their health care needs increase with every passing year. This has made most health and life sciences companies relatively recession-proof. For the baby boom generation, health care is a distinct and growing personal need, regardless of the economic cycle.

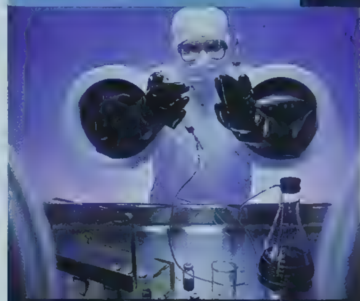
2. Focus on core competencies

Through the 90s, with increasing globalization, technological advances, complexity and competition, businesses of all kinds began to focus more closely on their core competencies, divesting non-core operations and outsourcing non-core capabilities and functions. The health and life sciences field was no exception; major biotechnology and pharmaceutical companies began to focus on their core businesses of bringing new treatments and therapies to market. This increased the opportunities to outsource or subcontract a growing range of products and services, from research and manufacturing, to clinical testing and trials.

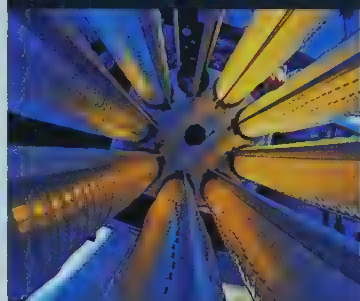
3. New and emerging sciences and disciplines

Science is changing every day. New breakthroughs are pointing to significant advances in the prevention, diagnosis and treatment of disease. As well, a number of seemingly unrelated disciplines in chemistry, biology and physics are coming together, converging and combining to forge advances beyond the scope of each discipline in isolation. We don't know all the changes and discoveries that will unfold in the years ahead, but we believe that three relatively new areas of development have the potential to become major disciplines by the end of the next decade: radiotherapeutics, proteomics and esoteric or specialized diagnostics.

Thus, we see strong growth continuing in underlying global health and life science markets, with potential high growth in the emerging disciplines. Change in the decade ahead will be dramatic, and strong growth will continue.

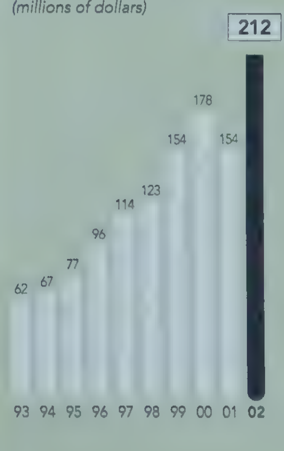


Radiotherapeutics provide a more targeted treatment for diseases such as cancer. MDS produces the yttrium-90 for Zevalin, the first radioimmunotherapy to receive FDA approval, and is involved in the development of a number of radiotherapeutics.

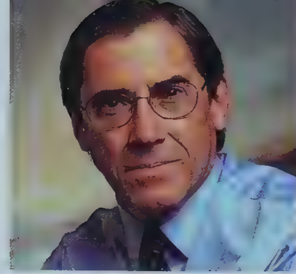


Esoteric tests are highly complex and involve cutting-edge science. Myriad uses sophisticated instrumentation and computer modelling to read the complete gene sequence and identify all known mutations.

Operating income before unusual items
(millions of dollars)

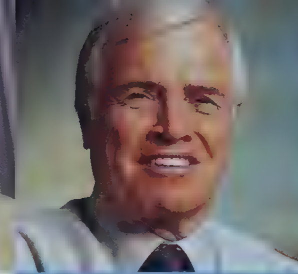



WHERE WE ARE TODAY—
MDS IS UNIQUELY AND
STRONGLY POSITIONED
FOR THE FUTURE



Doug Squires
President
MDS Pharma Services

Cam Crawford
President
MDS Diagnostic Services



John Rogers
President and
Chief Executive Officer

"As well as offering a unique combination of scientific disciplines and services, MDS has the cash flow and capital strength to participate with our customers in major new initiatives."

As we look at the dynamic growth markets of today and tomorrow, MDS is well positioned. We are uniquely positioned to deliver superior returns over the short and medium-term while building strength in the emerging disciplines that promise to reshape global health and life sciences over the longer-term.

1. Strong positioning

MDS is well positioned in our core markets, products and services.

We have outstanding and highly valued customer relationships, exceptional people and operations, market-leading positions in some very attractive global niches, and considerable depth and breadth of management. At the same time, we have a range of stable, mature businesses with good margins, cash flow and high barriers to entry, providing returns for today while allowing for investment in tomorrow's growth markets.

MDS is well capitalized, has a solid balance sheet and is able to invest in the organic growth of our businesses and in the future with measured risk taking. We have some compelling competitive advantages, in terms of the strength and knowledge base of our global workforce, our core competencies in chemistry, analytical testing, automation and industrialization, logistics and relationship building.

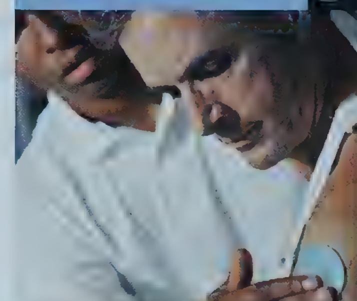
These considerable attributes have contributed to the growing strength of the MDS brand—a name and reputation that represents quality, innovation, integrity and responsiveness to our customers.

2. Unique positioning

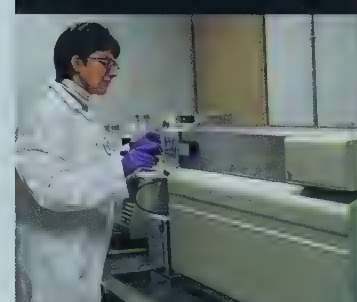
While we are solidly positioned in today's growth markets, we are **uniquely** positioned for the emerging disciplines of tomorrow and for the continued outsourcing by our major global customers.

This is because we are a multidisciplinary service provider with the ability to integrate the delivery of solutions to our customers. MDS is the **only** company in our markets with the combination of scientific disciplines that we offer. We are the only company that offers the combination of services—from diagnostics to contract research and clinical testing. And we have the cash flow and capital strength to participate with our customers in major new disciplines.

We are uniquely positioned to serve customers, strengthen and broaden relationships and participate in the transformative changes we will see over the next decade.

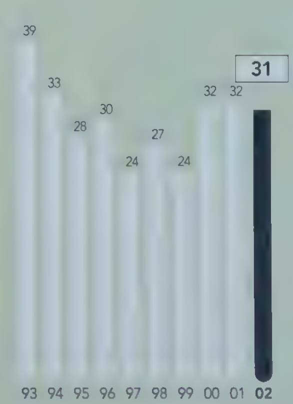


MDS Pharma Services expanded its early-phase clinical research facilities, establishing it as the largest early-phase contract research organization in the world.



Scientific expertise, experience and a highly skilled workforce have enabled MDS to achieve the market-leading position in each of its major businesses including MDS Sciex, our analytical instruments business.

Debt to total capital
(percent)



ACHIEVING DYNAMIC GROWTH OVER THE NEXT DECADE

Ed Rygiel
Executive Vice-President and President and Chief Executive Officer, MDS Capital Corp.

Rob Breckon
Executive Vice-President Strategy and Corporate Development

John Morrison
Group President and Chief Executive Officer Healthcare Provider Markets

"Already, we are seeing growing opportunities and interest in the emerging radiotherapeutic, esoteric testing and proteomics disciplines."

Decade over decade, MDS has set and achieved aggressive financial targets, delivering growth in revenues and earnings, averaging close to 15% per annum. Our five-year rolling targets remain unchanged at 15%. We believe MDS is positioned to achieve this level, given four basic avenues of growth for the Company.

1. Market growth

The existing markets for many of our products and services are growing at 8% to 12% per year. Simply by staying in our current markets and continuing to operate as we have, we will achieve moderate growth for the foreseeable future.

2. Market share growth

To exceed market growth, we can build share in our existing markets. As market leaders with strong barriers to entry and growing customer relationships, we see considerable opportunity for global market share gains in a number of our core businesses. This will contribute incremental growth over the decade.

3. Emerging disciplines and markets

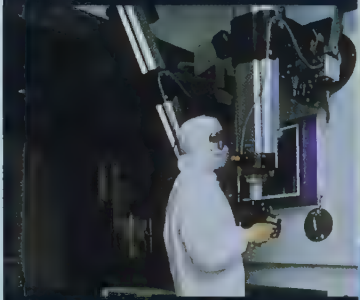
With our strong and unique positioning in emerging markets, we have the opportunity to generate considerable growth as the disciplines evolve. Already, we are seeing growing opportunities and interest in radiotherapeutics, esoteric testing and proteomics disciplines. The recent approval of Zevalin—the first FDA approved radiotherapeutic—marks a major breakthrough, and MDS is uniquely positioned to serve the needs of the pharmaceutical and biotech customers developing these promising products. While revenues from these disciplines may be insignificant now, we have a strong foothold which should accelerate growth as the decade progresses.

Essentially, these first three avenues of growth represent opportunities for organic growth. From these three avenues, we believe we can deliver on average growth of 15% over the next decade. As some markets mature and growth rates slow for some products and services, we are ready with emerging ones, which will have higher growth rates at the outset. In addition, we plan to continue to invest in new opportunities that may arise—our fourth avenue of growth.

4. New market entry through strategic alliances, joint ventures and investments

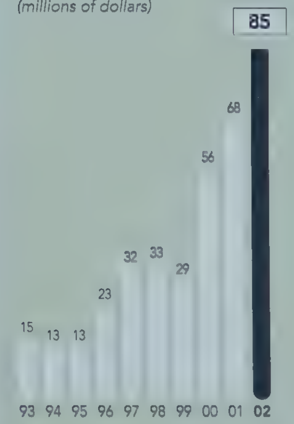
Our businesses generate considerable cash flow. New opportunities frequently arise for entry and expansion into new geographic regions and for additions of complementary products and services. We know how to identify attractive opportunities, we know how to value and acquire them, and we know how to operate and integrate them. We will continue to pursue opportunities to reinvest capital in the future. This could generate growth over and above the 15% we believe we can deliver from our existing platforms.

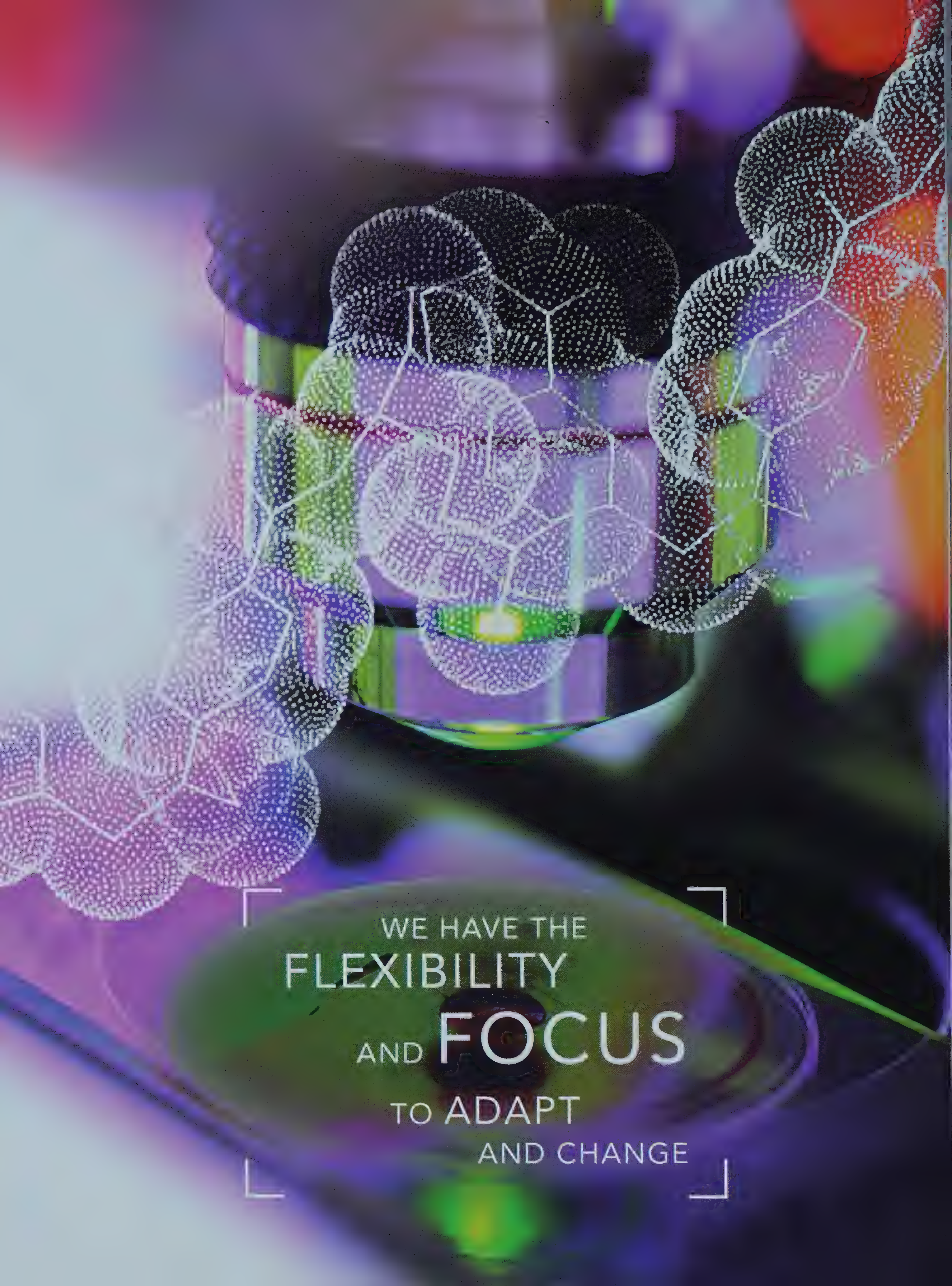
In 2002, MDS successfully grew market share in the high-end mass spectrometry market with products such as the API 4000 and API 3000.

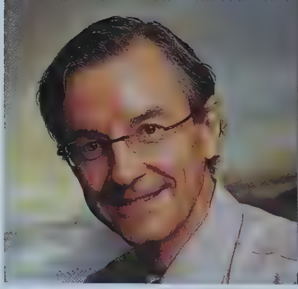


Radiotherapeutics have the potential to increase MDS revenues in the future. Highly skilled technicians operate specialized equipment under GMP conditions to produce a sterilized product.

Investment in research and development
(millions of dollars)




WE HAVE THE
FLEXIBILITY
AND FOCUS
TO ADAPT
AND CHANGE



Peter Brent
Senior Vice-President and General Counsel and Corporate Secretary

Mary Federau
Senior Vice-President Talent Development

Alan Torrie
Executive Vice-President Global Markets and Technology

"MDS has the strategies, the strengths, the people, the values and the vision to continue building as a global leader in health and life sciences."

Core Strategies

Our specific business strategies evolve as our markets, technologies and businesses develop and as new opportunities arise. Flexibility in pursuing opportunities has been essential to the successful growth of MDS. But while specific strategic initiatives may change and evolve, we are focused on four core corporate strategies as we map out the next decade.

1. Continue to evolve as a customer-driven organization
Strengthening customer relationships is key to growth over the next decade. That means we must increasingly align our goals and operations with those of our customers. To do this, we must continue to utilize our collective knowledge of our two customer bases to enhance our understanding of what drives their growth. Broadly speaking, both customer segments look for quality, innovation, integrity, responsiveness, and cost effectiveness in their global suppliers—all the hallmarks of the MDS brand. We must respond at every level, and that means we must continue the process of evolving from a company organized around our disciplines to one organized around our customers. Relationship management is critical.

2. Leverage strengths and synergies
Our individual businesses are leaders with great strengths. These strengths can be further integrated and leveraged to develop synergies, increase efficiencies and operational effectiveness, and broaden our relationships with customers. That means we must increasingly share knowledge and resources and develop common technology platforms to benefit all customer relationships. We have considerable untapped potential to integrate and leverage our information and resources across the Company.

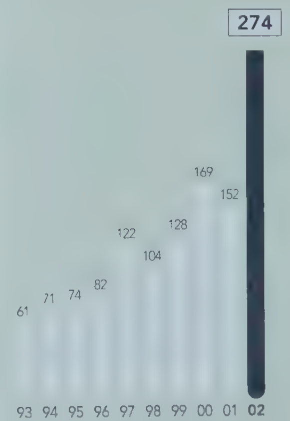
3. Maintain a balanced approach to growth and investment
We will continue to invest in our existing businesses and in new disciplines and acquisitions in a balanced way. We aim to maintain a balance in terms of the maturity and cash flow of our businesses, and we aim to invest in the future through balanced and measured risk taking, through a range of different investment models—from full ownership to joint ventures, strategic alliances and customer partnerships.

4. Stay focused on our vision
Ultimately, MDS will build sustainable value by living by our core values and pursuing our vision—continuing to build an enduring health and life sciences company that makes a distinctive contribution to the health and well-being of people around the world. We know that what we do is important, and we take pride in that. That vision and pride, broadly shared through all our operations, is an intangible factor that contributes to growth and that will stay with us wherever the next decade takes MDS.

Partnering with customers including health care providers and hospitals, and pharmaceutical and biotech companies is core to our success. These partnerships bring together expertise and experience to create unique and innovative business models.

Molybdenum-99 is used in the manufacture of technitium-99m generators which are distributed to hospitals for diagnosing disease.

Cash from operations
(millions of dollars)



MDS is the National Founding Sponsor of the Canadian Cancer Society's annual Relay For Life.

In 2002, MDS employees put together more than 85 teams of 10 members each and participated in Relays held in 34 sites nationwide.

Over $150,000 was raised by MDS Teams in 2002 for cancer research.

Luminary candles dedicated to those affected by cancer encircle the Relay track in Kenora, Ontario.

Cancer survivors in Kitchener, Ontario warm up for the 12-hour Relay.

"Having discussed the dynamic growth we see in store for MDS, another question arises. Can we accommodate growth? Do we have what it takes to manage an even larger, more international organization of related but distinct businesses? The key is to ensure that we continue to evolve as an organization—managing change to support growth while staying grounded with our core purpose and values. As we focus on growth, we remain as committed as ever to progress in science and to the well-being of all our stakeholders: our customers and the people they serve, our employees, our neighbours in the communities where we operate around the world, our partners and strategic allies."

John A. Rogers President and Chief Executive Officer

Evolving as an organization

The successful growth of MDS is the direct result of the efforts of our more than 10,000 people in our operations around the world. As we become larger and more globally diverse, we must ensure that our organization, infrastructure and systems evolve so as to fully support these efforts, while binding our growing workforce together in terms of our common purpose, strategies and goals.

A number of initiatives are underway. We have made great strides in organizing around customer relationships, rather than around products or business functions. To this end, we are revisiting and advancing every aspect of our infrastructure and systems to ensure commonality throughout our organization. As we move to more common systems, we will benefit through increased efficiency and effectiveness while enhancing the sharing of information throughout the Company. A new employee portal now under development will provide employees with consistent and up-to-date information about our unique environments and our customers' needs while providing them with better tools for doing their own specific jobs.

At the same time, we continue to invest in people, strengthening our Human Resource programs to ensure we recruit, retain and advance the best in our industry. We are focused on leadership and management training throughout the organization. By the end of 2003, over 750 senior managers from all of our operations and business units will have completed advanced leadership programs.

Evolving as corporate citizens

We understand that, in our field, running a superior business means showing leadership as corporate citizens. This leadership has contributed beyond measure to the successful growth of MDS and will continue to evolve and strengthen as MDS moves forward.

An MDS Relay Team prepares for the event in Cornwall, Ontario.

For the past 15 years, MDS Nordion has sponsored the 10K run as part of the annual National Capital Race Weekend.

In 2002, over 300 MDS Nordion employees, family and friends participated in this event. The event raised over $500,000 for the Women's Breast Health Centre and Prostate Centre at The Ottawa Hospital.

The MDS Nordion 10K run is held annually in Ottawa, Ontario. This high-profile event draws participants from around the world

Photo by Darren Brown

MDS is proud to be among Canada's leaders in corporate philanthropy, and, as an Imagine Caring Company, we donate in excess of 1% of pre-tax profits annually to charitable organizations. Reflecting our Core Values and Purpose, our Corporate Citizenship Program is focused on *Science advancing health* through support of health-related charities, scientific research and education, and our communities.

Health

To advance health, MDS and our various businesses have focused on cancer as our Major Cause, supporting a range of charities and hospitals through direct donations and through sponsorship of broader health fundraising events, such as the Canadian Cancer Society's Relay For Life, and the MDS Nordion 10K run. In 2002, we contributed over $1 million to health programs.

Science

To advance science, we focus on scientific education and research, with awards honouring outstanding scientific contributions, sponsorship of University Chairs, and an extensive high school scholarship program. Our most significant support in 2002 was a founding sponsor commitment to the Medical and Research Sciences (MARS) Discovery District, a major new international medical research centre being built on the grounds of the University Health Network in Toronto.

Community involvement

In 2001, MDS established an Employee Volunteer Program to support our communities and recognize and encourage the exceptional efforts of employees who share their time and energies with community-based organizations. Since its inception, almost 200 charitable organizations have received financial support through our Employee Volunteer Program.

Core values have guided us for more than 30 years. They are:

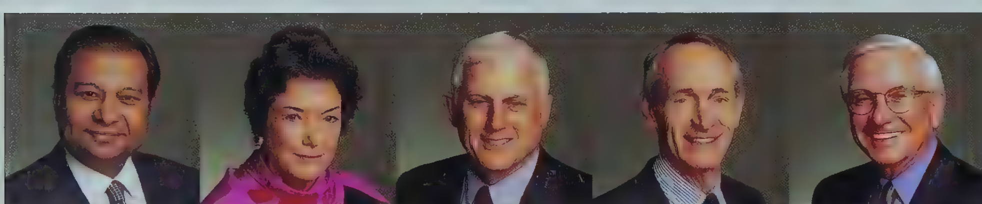
Mutual trust	Having confidence enough to rely on others and to be open to new and different people and ideas.
Genuine concern and respect for people	Showing genuine concern for others; treating people as individuals, with understanding and appreciation.
Integrity	Being reliable and accountable in word and behaviour.
Commitment to excellence	Striving to reach our full potential as a company and as individuals, doing the right things the right way.

"Effective corporate governance has been fundamental to the success of MDS and has been a priority for management and our strong and independent Board throughout our history as a public company. The best corporate governance keeps management accountable and balances the interests of stakeholders. We are committed to ensuring that our governance policies and practices achieve these vital goals."

Wilfred G. Lewitt Chairman of the Board

MDS has long been focused on corporate governance to ensure that we meet the expectations of shareholders and all stakeholders. Our practices are fully described in our Proxy Circular and may be viewed on our website at www.mdsintl.com.

As the Company has evolved over time, so too have our governance policies and practices and so has our Board of Directors. We believe the Board to be the bedrock of sound governance, and it has been strengthened over the years by the contribution of an increasing proportion of independent, outside directors who are unrelated to the Company and management; at present, eight of our ten directors are independent. All are highly qualified professionals and businesspeople,



Clarence J. Chandran
Clarence Chandran retired in 2001 as Chief Operating Officer and Director of Nortel Networks Corp. after spending 28 years in the telecommunications industry.

John R. Evans
John Evans serves as Chairman of the board for Torstar Corporation, Vice-Chair of NPS/Allelix Biopharmaceuticals Inc. and director of GlycoDesign Inc. and trustee of Retirement Residences Real Estate Investment Trust. Dr. Evans also chairs the boards of the Canada Foundation for Innovation and MARS (Medical and Related Sciences) Project.

Wendy K. Dobson
Wendy Dobson is a professor and Director of the Centre of International Business at the University of Toronto. She has served as former Associate Deputy Minister of Finance and President, C.D. Howe Institute. She is a director on the boards of TransCanada Pipelines Ltd., Toronto-Dominion Bank and DuPont Canada Inc.

Wilfred G. Lewitt
Wilfred Lewitt is Chairman of MDS Inc. and has been with MDS since 1970. He serves on the boards of Laidlaw Inc. and Hemosol Inc.

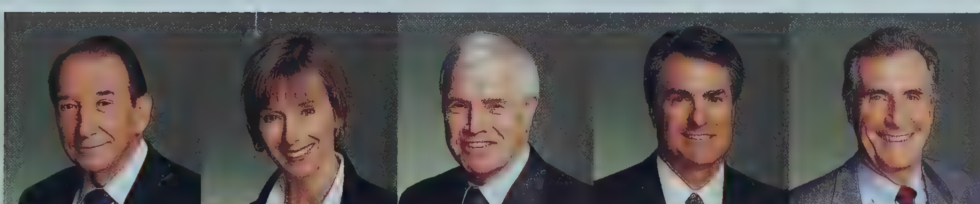
William A. Etherington
William Etherington retired as Senior Vice-President and Group Executive, Sales and Distribution, IBM Corporation, where his career spanned 37 years. Mr. Etherington serves on the boards of Canadian Imperial Bank of Commerce (where he is Lead Director), Celestica Inc. and Dofasco Inc.

and collectively, our highly active Board represents a depth and breadth of experience in the areas of international business, finance, medical science, technology, governmental affairs and academia, which are invaluable to MDS and to our growth in global markets. All members of the Board own shares of MDS, and our directors ensure that the goals of MDS are fully aligned with the interests of all shareholders and the creation of shareholder value.

We have a lead director, Dr. John Evans, who is an independent director, to preserve the independence of the Board and to chair meetings of all outside directors following every Board meeting.

Our Board, supported by its committees, reviews, approves and monitors the Company's strategy and business plans, financial plans, capital expenditures and material transactions. The Board also appoints and evaluates the Chief Executive Officer, determines executive compensation, and oversees risk management processes and communications with shareholders.

Sound disclosure is the essence of accountability and transparency, which in turn are vital to good governance. Since 2001, the Board has been assisted by a Disclosure Committee, which includes our Chief Financial Officer, our Vice-President Investor Relations and Corporate Communications and our General Counsel and Corporate Secretary, to ensure timely, accurate, non-selective disclosure to shareholders and all other stakeholders.



Robert W. Luba
Robert Luba is President of Luba Financial Inc. He was formerly the President and CEO of Royal Bank Investment Management Inc. Mr. Luba serves on the boards of Vincor International, ATS Automation Tooling Systems, Menu Foods Income Fund and Associated Brands Inc.

Nelson M. Sims
Nelson Sims completed a 28-year career with Eli Lilly and Company in 2001, where he held senior positions including President, Eli Lilly Canada Inc. and Executive Director, Strategic Alliance Management. He serves on the board of Hemosol Inc. and is Chairman of the Board of GlycoDesign Inc.

Mary Mogford
Mary Mogford serves on the boards of Empire Company Limited, Falconbridge Limited, the Potash Corporation of Saskatchewan and Sears Canada. She is also a member of the Altamira Advisory Council. Ms. Mogford is a former Deputy Minister of Finance and Deputy Minister of Natural Resources for the Province of Ontario.

R. Michael Warren
Michael Warren is Chairman of The Warren Group. He serves on the boards of a number of other companies and associations.

John A. Rogers
John Rogers is the President and Chief Executive Officer of MDS Inc. and has been with the Company since 1973. Mr. Rogers is a director of Marsulex Inc.

Audit Committee
Corporate Governance & Nominating Committee
Environment, Health & Safety Committee
Human Resources & Compensation Committee

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Toronto, Ontario, Canada
Telephone: 1-800-387-0825
Answer Line: 416-643-5500
Email: inquiries@cibcmellon.com

AUDITORS
Ernst & Young LLP

LEGAL COUNSEL
Fasken Martineau DuMoulin LLP

DIVIDEND POLICY
MDS has paid semi-annual dividends since 1976. In October 2002, the rate was $0.05 per share, payable in April and October. The Company's policy is to pay modest dividends while retaining most of its earnings to fund growth and expansion.

DIVIDEND REINVESTMENT AND SHARE PURCHASE PLAN
Shareholders from around the world are able to participate in this Plan provided it is legally permitted in the jurisdiction where they reside. Under the Company's Plan, shareholders may elect to receive stock dividends in lieu of cash dividends. Participants residing outside of the United States may also make optional cash payments of up to $3,000 semi-annually to purchase additional shares. Shareholders wishing to obtain more information about this Plan should contact the Company's transfer agent listed above.

STOCK LISTING
MDS shares are listed on the:
- Toronto Stock Exchange: MDS
- New York Stock Exchange: MDZ

MDS is part of the S&P/TSX 60 Index.

MDS STOCK SPLIT HISTORY

1980 – September 17	2:1
1983 – July 13	2:1
1990 – March 10	2:1
1996 – November 15	2:1
2000 – October 10*	2:1

* stock dividend—same impact as stock split

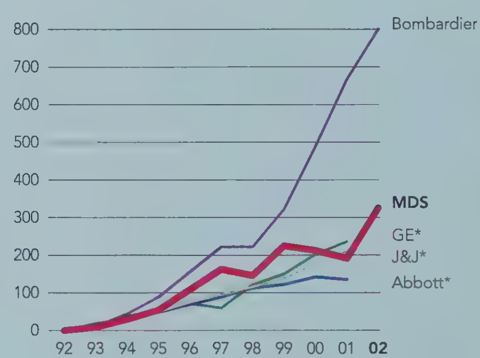
ANNUAL AND SPECIAL MEETING
Shareholders are invited to attend the Company's Annual and Special Meeting at 4:00 p.m., Thursday, March 6, 2003 at the Metro Toronto Convention Centre
North Building, Lower Level
Constitution Hall, Rooms 106 and 107
255 Front Street West
Toronto, Ontario, Canada

INVESTOR INFORMATION
Contact: Sharon Mathers, Vice-President,
Investor Relations and Corporate Communications
Telephone: 416-675-6777 ext. 2695
Fax: 416-675-0688
Email: smathers@mdsintl.com

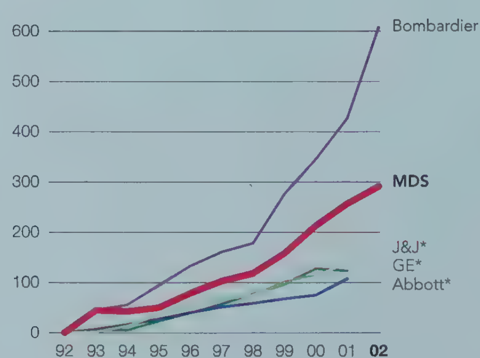
ANNUAL AND INTERIM REPORTS
Current stock prices, financial reports, recent press releases and annual reports are accessible on the MDS website at www.mdsintl.com or at **MDS Shareholder Information Services** at 416-675-6777 ext. 6500 or 1-888-MDS-7222.

COMPARATIVE PERFORMANCE

Ten-year growth in earnings per share before unusual items
(percent)



Ten-year growth in revenues
(percent)



Source: *Canadian Shareowners Association*
* *2002 year-end data not available*

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MDS

Science advancing health

2002 ANNUAL REPORT Pt II

FINANCIAL REVIEW

introduction

Following is management's discussion and analysis (MD&A) of the results of operations for MDS Inc. (MDS or the Company) for the year ended October 31, 2002 and its financial position as at October 31, 2002. This MD&A should be read in conjunction with the consolidated financial statements and notes that follow this document. For additional information and details, readers are referred to the quarterly financial statements and quarterly MD&A for fiscal 2002 and the Company's Annual Information Form (AIF), all of which are published separately.

This MD&A is intended to provide readers with the information that management believes is important to an understanding of MDS's current results and to assessing the Company's future prospects. Accordingly, certain sections of this report contain forward-looking statements. These forward-looking statements are affected by risks and uncertainties that are discussed in this document as well as in the AIF. Readers are cautioned that actual events and results will vary.

In our MD&A and elsewhere, we separately discuss the results of our core businesses in the Life Sciences and Health segments from those of 89%-owned MDS Proteomics Inc. (MDS Proteomics). Our core businesses generate cash flow and operating results that are consistent with other well-established businesses in their markets. MDS Proteomics does not generate significant revenue and is incurring substantial operating losses and negative cash flow as it builds its business. We believe that mixing the results of MDS Proteomics with those of our core businesses gives a potentially misleading picture of the results of our businesses and we therefore discuss MDS Proteomics separately.

Earnings per share before goodwill amortization and other figures that are reported separately for our core businesses and for MDS Proteomics include all items required to be included under generally accepted accounting principles. We believe that disclosing the components of earnings per share along with the consolidated results provides information to readers to enable them to better understand the fundamental trends affecting our businesses. We provide a table in this document that summarizes earnings per share figures for comparison to amounts reported on the face of the income statement.

Overview

MDS is a global health and life sciences company. MDS provides a range of services and manufactures and sells a variety of products designed to improve the health and well-being of people worldwide. Our primary customers are pharmaceutical and biotechnology companies and health care providers such as doctors and hospitals. Our products and services include:

1. radioisotopes used for nuclear medicine and for sterilization;
2. advanced analytical instruments based on mass spectroscopy used primarily in drug development;
3. pharmaceutical research and development services;
4. diagnostic laboratory testing services; and,
5. distribution of medical supplies and equipment.

In addition, through MDS Proteomics, we conduct research in proteomics, the science of protein-to-protein interactions.

Fiscal 2002 was an important year for MDS and we are pleased with the results we achieved. It was a year in which we gained significant traction in our pharmaceutical research markets, delivering 18% revenue growth over the prior year. In addition, we achieved 36% revenue growth in analytical instruments. Growth in these markets led to a 28% increase in operating income for the core business segments.

These achievements, along with other important fiscal 2002 events, are discussed in more detail later in this report.

Critical Accounting Policies

The financial statements of MDS are prepared within a framework of generally accepted accounting policies selected by management and approved by the Audit Committee of the Board of Directors. These policies are set out in note 1 to the financial statements. Certain of the policies are more significant than others and are therefore considered critical accounting policies. Accounting policies are considered to be critical if they rely on a substantial amount of judgment in their application or if they result from a choice between accounting alternatives and that choice has a material impact on our reported results or financial position. The policies identified as critical to MDS are discussed below.

i. Revenue Recognition

MDS sells a variety of products and services and we use different revenue recognition policies depending on the nature of the product or service sold.

The majority of our products are sold on terms that require our customers to take ownership of goods upon either shipment or delivery. Revenue is recognized on these transactions at the time title passes to the buyer. Product returns and exchanges and warranty obligations are insignificant in our product-based businesses.

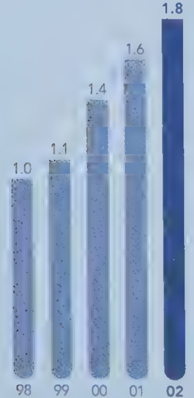
Certain of our products, particularly some related to cobalt sterilization, involve longer production or delivery schedules and may require formal approval or acceptance by our customers. Approval may not be received until some time after the product has been shipped and title typically does not pass to our customer until the acceptance has been received. In these cases, revenue is recognized once we have completed all of our obligations under the contract, subject to a reasonable provision set by management to cover any identifiable future costs. Such provisions tend not to be material and we have not historically incurred costs significantly in excess of our provisions, nor have we failed to achieve customer acceptance within reasonable periods of time.

Services are provided to customers on the basis of a per-unit price for work performed or under longer-term contracts that typically define the nature and terms of services to be provided.

Revenue for services provided on a per-unit pricing basis is recognized when we have completed the requested service and have the right to bill our customer.

Revenues for services provided under long-term contracts are recognized on a percentage-of-completion basis, usually pro rata based on the incurrence of cost. To calculate revenue, we must estimate the total revenue and total cost (including all costs to complete) of the contract, as well as the actual stage of completion. The amount of revenue and gross margin appropriate to the percentage of completion is recorded in income based on these estimates. If it becomes evident that a loss will be incurred on a contract, that loss is recorded immediately.

Consolidated Revenues
($ billions)



Revenue that is recognized but not yet billed is recorded in inventory as *service contracts work in process*. Management conducts a review of all contracts in process at least quarterly to ensure that the appropriate amount of revenue has been recognized and that reasonable estimates of costs to complete have been made. This review also considers the recoverability of all amounts recorded as work in process. If recoverability is in doubt, the value of work in process is reduced to the expected recoverable amount by a charge to income.

In a significant number of long-term contracts, the billing terms enable us to bill our customers in advance of providing services. The amount of such billings in excess of the amount that we have recognized as revenue is recorded as deferred revenue in the liability section of the statement of financial position.

ii. Valuation of Long-Term Investments

MDS maintains portfolio investments in a number of public and private companies. These investments are accounted for at cost or by the equity method. Investments are reviewed periodically to determine if there has been a decline in value that is other than temporary. In the event that an impairment has occurred, the carrying value of the investment is written down to an amount that reflects management's estimate of what could be received from a sale of the investment.

iii. Valuation of Goodwill

Effective with the beginning of fiscal 2002, companies were no longer required to amortize goodwill on a periodic or routine basis. Instead, the carrying value of goodwill must be assessed at least annually. To assess goodwill, the estimated fair value of the reporting unit or business to which the goodwill relates is compared to the carrying value (including goodwill) of the reporting unit. In the event that the fair value of a reporting unit is determined to be less than its carrying value, and the shortfall relates to the carrying value of goodwill, the carrying value of the goodwill is reduced by a charge to income.

Assessing the fair value of a business requires that management make numerous estimates, including estimating future cash flows and interest rates. Variations in these estimates will cause material differences in the result.

We completed an assessment of goodwill upon adoption of the new standards at the beginning of fiscal 2002 and again at year-end. No reduction in the carrying value of goodwill was required based on this review.

iv. Income Taxes

MDS operates globally and is therefore subject to income taxes in multiple jurisdictions. The income tax expense reported in the statement of income is based on a number of different estimates made by management. Our effective tax rate can change from year to year based on the mix of income among the different jurisdictions in which we operate, changes in tax laws in these jurisdictions, and changes in the estimated values of future tax assets and liabilities recorded on our statement of financial position.

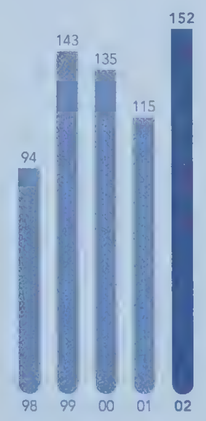
The income tax expense reflects an estimate of cash taxes expected to be paid in the current year, as well as a provision for changes arising this year in the value of future tax assets and liabilities. The likelihood of recovering value from future tax assets such as loss carryforwards and the future tax depreciation of capital assets is assessed at each quarter-end and a valuation reserve may be established. Changes in the amount of the valuation reserve required can materially increase or decrease the tax expense in a period. Significant judgment is applied to determine the appropriate amount of valuation reserve to record.

v. Capital Assets

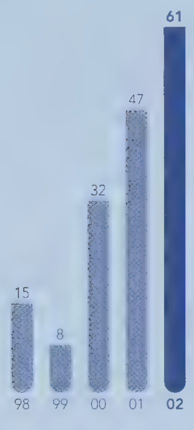
Capital assets are recorded at cost and depreciated at varying rates over their estimated useful lives. Management sets these rates based on experience with these or similar assets.

Costs incurred on assets under construction are capitalized as construction-in-progress. Costs capitalized on these projects include the direct costs of construction, equipment installation and testing, and interest costs associated with financing large, long-term projects. No depreciation is recorded on such assets until they are placed in service. At each period-end, management reviews the total costs capitalized on all construction projects to determine whether or not the carrying value of the assets can be recovered from the undiscounted expected net future cash flow generated by the assets. If there is no

Capital Expenditures
($ millions)



Research & Development
($ millions)



reasonable expectation that the costs can be recovered, the carrying value of the asset is reduced to the estimated recoverable amount and the excess is charged to income. This process is subject to significant judgment and could be materially affected by variations in estimates about future cash flows.

vi. Research and Development

Costs incurred for research are expensed as incurred. If management expects that a new product has a reasonable likelihood of future commercial success and decides to proceed with product development, costs are capitalized during the remainder of the development process. These costs are identified as deferred development costs and are recorded with long-term investments and other on the statement of financial position. Once a product enters commercial production, deferred development costs are amortized over the estimated product life, generally three to seven years.

Management undertakes a periodic review of all projects on which deferred development costs have been recorded to determine if the carrying value of the costs can be recovered from the undiscounted expected net future cash flow generated by sales of the product. If there is no reasonable expectation that the costs can be recovered, the carrying value of the deferred costs is reduced and the excess charged to income. This process of estimation is subject to significant judgment, in particular about the price and direct cost of the product, as well as its expected market acceptance. Deferred product development costs generally relate to products on which we have traditionally earned a high gross margin. We have not historically recorded any material charges to reduce the carrying value of our deferred product development costs.

Fiscal 2002 Operating Results

Fiscal 2002 was a year of significant revenue growth as consolidated revenues rose 10% to $1.8 billion. Revenue growth was attributable primarily to our pharmaceutical and biotechnology customers, and revenues from our research services and analytical instrument businesses increased 18% and 36%, respectively, over the prior year. This strong performance contributed to a 38% increase in consolidated operating income for the year.

Summary of Consolidated Results	**2002**	2001	**Change**	2000	Change
Revenues	**1,792**	1,636	**10%**	1,435	14%
Operating income	**212**	154	**38%**	178	(13%)
Earnings per share	**$ 0.75**	$ 0.83	**(10%)**	$ 1.01	(18%)

[Tabular amounts are in millions of Canadian dollars, except where noted. Earnings per share throughout this report refers to earnings per share before goodwill amortization.]

Reported earnings per share are affected by a number of items. The table below provides a breakdown of the components of earnings per share to assist you to gain an understanding of the effect of events and transactions that occurred each year.

	2002	2001	2000
Earnings per share from core businesses	$ 1.02	$ 0.70	$ 0.75
MDS Proteomics operations	(0.27)	(0.17)	(0.05)
Dilution gains on shares issued by MDS Proteomics	—	0.33	0.29
Restructuring charges	—	(0.16)	(0.11)
Pre-acquisition investment tax credits	—	0.13	—
Capital gains on sale of investments	—	—	0.13
	$ 0.75	$ 0.83	$ 1.01

Segment Operating Results

Revenues

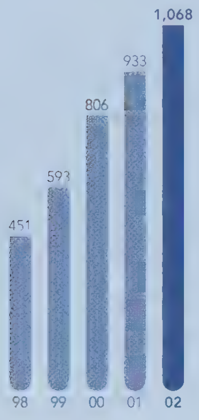
Life Sciences—Overall, Life Sciences revenues grew 14% this year compared with 16% for fiscal 2001 over fiscal 2000. Particularly strong performances from research services and analytical instruments were the main factors in these increases. Fiscal 2002 growth was organic as no new businesses were acquired during the year. The comparison of 2001 to 2000 is affected by the acquisition of Phoenix International Life Sciences part way through fiscal 2000.

	2002	2001	Change	2000	Change
Gamma sterilization	61	62	(2%)	71	(13%)
Nuclear medicine	212	201	5%	185	9%
Therapy systems	70	80	(13%)	77	4%
Isotopes	343	343	—	333	3%
Bioanalytical and early clinical	224	203	10%	173	17%
Clinical research and central lab	162	133	22%	82	62%
Discovery and preclinical	122	94	30%	75	25%
Pharmaceutical research services	508	430	18%	330	30%
Analytical instruments	217	160	36%	143	12%
Total	1,068	933	14%	806	16%

Our gamma sterilization business has been affected since 1999 by a restriction in supply of cobalt-60, the radiation source for this business. Our revenues from gamma sterilization are not expected to increase substantially until late in fiscal 2003 when we anticipate new cobalt will be shipped from the Pickering nuclear reactors owned by Ontario Power Generation.

Sales in nuclear medicine have remained steady, growing 5% this year. In recent years, increased global availability of certain isotopes has served to limit pricing in some markets, acting as a constraint on revenue growth. We were pleased this year when Zevalin, a radiolabelled therapeutic agent developed by IDEC Pharmaceuticals Corporation for the treatment of non-Hodgkin's lymphoma that contains our yttrium-90 isotope, received FDA approval. Sales of Zevalin began in the spring but have been slow as the US Medicare reimbursement code was not effective until

Life Sciences Segment Revenue
($ millions)



October 2002. Acceptance of this new treatment has been encouraging and we expect to experience better revenue growth in this market in 2003. Zevalin is the first radiotherapeutic to be approved in the US and we are working with a number of biotechnology companies to develop other radiolabelled compounds.

Revenue growth in therapy systems has been negligible and in June 2002 we sold our high dose rate brachytherapy business for $17 million. No gain or loss arose from the transaction. The business contributed about $14 million of revenue annually and the sale of the business caused the drop in therapy systems revenues. Within therapy systems, our Oncentra treatment planning system continues to generate increased market interest and there are now 25 projects globally that involve the installation of the system. We are encouraged with the growing interest in our system and are hopeful that this will translate into further orders in fiscal 2003.

Fiscal 2002 was a particularly satisfying year for MDS Pharma Services after the difficult year of integration and competitive and regulatory changes that affected the business in 2001.

During the year, we experienced solid sales growth in all of the lines of business that make up MDS Pharma Services and the return to our traditional market share within the generic pharmaceuticals markets anchored this growth. Revenue growth in bioanalytical and early clinical in 2002 was heavily leveraged to this group of customers.

In comparing fiscal 2001 to the prior year, we note that revenues from generic customers fell in the early part of 2001, partly as a result of consolidation in the industry and regulatory changes that reduced the amount of testing required prior to approval. In addition, our own integration efforts that year affected our ability to execute our business plan. Combined, these factors caused a 43% drop in generic revenues in 2001. This decline offset the otherwise significant increase in research services revenues between fiscal 2000 and fiscal 2001 that resulted from the acquisition of Phoenix part way through fiscal 2000.

In fiscal 2001, we launched the API 4000 model of mass spectrometers, an event that propelled substantially improved revenues in the latter half of that year and drove revenues from analytical instruments up 12% compared to 2000. Sales strength for the new model has been maintained in fiscal 2002 and, overall, instruments revenues are up a further 36% to $217 million. Sales of the API 3000 remained strong in fiscal 2002. On a combined basis, unit sales of high-end equipment were up one-third, year over year.

During the second quarter of this year, the ABI/MDS Sciex partnership secured a significant court decision when a US judge found Micromass (a division of Waters Corporation), a major competitor in many of our instrument markets, to have violated certain key patents covering technology we developed and use in the API line of mass spectrometers. Under the judgment, Micromass must pay the partnership US$52 million and has been ordered to cease selling the infringing equipment in the US. Micromass has appealed the judgment but, pending the hearing of the appeal, continues to be bound by the injunction. We are currently pursuing legal remedies in other jurisdictions as well.

Micromass does not produce equipment that competes with the sensitivity of the API 4000, and this judgment helped us to maintain sales volume of the API 3000 in the US. Our 50% share of the award has been treated as a contingent gain and it has not been recorded at this time.

Health—Diagnostics revenues were up 11% compared to fiscal 2001. Distribution revenues from continuing businesses were up marginally; however, reported distribution revenues dropped 13% as a result of the sale of MDS Matrx to a management-led group in the second quarter.

	2002	2001	**Change**	2000	Change
Canadian laboratories	**390**	357	**9%**	336	6%
US laboratories	**141**	123	**15%**	90	37%
Diagnostics	**531**	480	**11%**	426	13%
Distribution	**190**	220	**(14%)**	201	9%
Total	**721**	700	**3%**	627	12%

Canadian laboratory revenues have gradually strengthened as we now have fee agreements in place in each of our significant provincial markets. During fiscal 2002, we completed fee negotiations in our second largest market, British Columbia. This new agreement provides for a fee increase. The agreement covers the period since April 2001.

No new US laboratory partnerships were completed in fiscal 2002. We continued to manage the Duke University Health System laboratories under contract, covering other aspects of the business relationships. We also entered into a new relationship with Associated Regional and University Pathologists Laboratory (ARUP) in Utah. Under this agreement we will send esoteric testing from our US hospital network to ARUP and they will promote MDS to their current hospital client base.

In fiscal 2001, we bought out our partner in Hudson Valley Laboratories, a venture that we had previously accounted for on a proportionately consolidated basis. This change in accounting basis, combined with the Duke management fees, accounted for the increase over fiscal 2000.

Distribution revenues at 50%-owned Source Medical are up 3% compared to last year. The modest change was a result of the loss of the Baxter Canada distribution agreement last year. While this contract loss was largely offset by new and more profitable contracts by year-end, revenue growth in the early part of fiscal 2002 was affected.

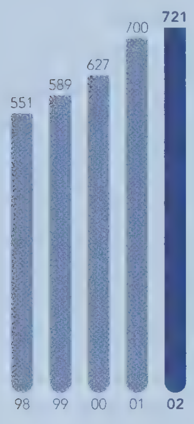
During the second quarter of 2002, we sold our interest in MDS Matrx, a business that was not generating adequate returns and generated revenues of $46 million in 2001.

Operating Income

	2002			2001			2000		
	Revenues	**Operating Income (loss)**	**Operating Margin**	Revenues	Operating Income (loss)	Operating Margin	Revenues	Operating Income (loss)	Operating Margin
Life Sciences	**1,068**	**205**	**19%**	933	143	15%	806	148	18%
Health	**721**	**59**	**8%**	700	64	9%	627	42	7%
Core businesses	**1,789**	**264**	**15%**	1,633	207	13%	1,433	190	13%
Proteomics	**3**	**(52)**	**n/m**	3	(53)	n/m	2	(12)	n/m
	1,792	**212**	**12%**	1,636	154	9%	1,435	178	12%

n/m—not meaningful

Health Segment Revenue
($ millions)



Life Sciences—Life Sciences operating income increased 43% this year. The operating margin increased to 19%. Strong performance in analytical instruments and research services drove this margin gain. Sales of high-end analytical instruments generate high margins. Similarly, revenue growth in bioanalytical and early clinical research services produces higher margins due to the high fixed-cost nature of those businesses. Growth in service revenue from generic drug customers accounts for a major portion of the operating margin improvement. This reversed the impact that was felt on operating margins in fiscal 2001 resulting from reduced volume from this customer group.

Operating income for Life Sciences includes our share of the net management fee income and investment gains earned by MDS Capital Corp. For 2002, this amounted to $6 million, compared to $2 million in 2001 and $3 million in 2000. The increased income for 2002 principally reflects an investment gain earned by MDS Capital Corp. on the sale of its interest in Drug Royalty Corporation in the second quarter.

Health—Diagnostics revenue growth led to higher operating income within the Health segment. This increase was offset though by declining operating income at Source Medical due to the loss of the Baxter contract and the disposal of MDS Matrx that resulted in a loss of $7 million. Setting aside the loss on the sale, operating income for the segment increased 3% and the operating margin was in line with 2001. Better fee agreements achieved in the Canadian diagnostics business since 2000 account for the improved margins since that year.

Proteomics—The operating loss from MDS Proteomics was $52 million, level with last year and up substantially compared to 2000. The loss includes $13 million of depreciation compared to $10 million in 2001 and $1 million in 2000. Cash spending on proteomics-related research activities was reduced during the fourth quarter.

Other Expenses

Interest—Net interest expense for the year was $11 million, up slightly compared with the expense in 2001 and down significantly compared to 2000. Continued low interest rates in North American markets have largely offset interest charges resulting from higher levels of borrowing. The majority of our long-term debt is borrowed using instruments that bear short-term interest rates and we have been able to minimize our borrowing costs as a result.

Minority interest—Minority interest has decreased this year due primarily to the increased after-tax loss of MDS Proteomics.

Income tax expense—The effective income tax rate for 2002 was 46%. This is up compared to 2001 at 41.4% and 2000 at 34.1%. Income before tax for 2001 included $54 million of non-taxable dilution gains resulting from the issuance of shares by MDS Proteomics. Excluding this item, the tax rate for 2001 was 57%. The decrease in the effective tax rate, excluding the impact of the dilution gain, reflects declining rates of taxation in our prime Canadian markets and a return to profitability in Europe. No income tax benefit has been recorded for European losses available at the end of the year.

Prior to July 2002, losses incurred by MDS Proteomics were given tax effect at a future tax rate of 30%. In August, MDS completed a tax reorganization of the Company that will enable MDS to realize the cash value of these tax losses in future years. As a result of this reorganization, no tax benefit has been recorded for MDS Proteomics' losses incurred in the fourth quarter of this year.

Liquidity and Capital Resources

Consolidated Working Capital	2002	2001	Change	2000	Change
Operating working capital	**101**	52	**94%**	49	6%
Current ratio	**1.7**	1.5	**n/m**	1.7	n/m
Accounts receivable turnover	**5.5**	5.5	**n/m**	5.1	n/m
Inventory turnover	**11.7**	10.0	**n/m**	10.4	n/m

Operating working capital represents accounts receivable plus inventory less accounts payable and deferred income. The increase compared to fiscal 2001 results primarily from increased accounts receivable in our research services business and a corresponding reduction in deferred contract revenue as customer deposits were applied against billings rendered for work performed.

Capitalization	2002	2001	Change	2000	Change
Cash, net of bank indebtedness	**184**	171	**8%**	298	(43%)
Long-term debt	**615**	553	**11%**	551	—
Long-term debt to total capital ratio	**31%**	31%	**n/m**	32%	n/m

At year-end, we had drawn $510 million from our long-term debt facility. This facility is available from a syndicate of five banks and can be drawn in either Canadian or US dollars. The facility is revolving, unsecured, and bears interest at floating rates based on defined operating ratios of the Company. A portion of this facility expires in February 2003.

Subsequent to the end of the fiscal year, we completed a US$311 million private placement. The proceeds of this debt issue will be used to repay and cancel the two tranches of our existing long-term bank debt that expire in 2003. The new debt issue consists of five separate series of senior unsecured notes payable, bearing interest at fixed rates between 5.15% and 6.19%. The notes have a maximum term of 12 years and principal repayments begin in 2007.

Borrowings from other facilities totalled $105 million at year-end. The majority of this debt pertains to the MAPLE project and to capital lease obligations.

Year-end borrowings include $157 million of debt denominated in US dollars, up from $139 million at the end of 2001. The balance is denominated in Canadian dollars.

Consolidated Cash Flows	2002	2001	Change	2000	Change
Cash flow from operations	**274**	152	**80%**	169	(10%)
Cash flow from operations as a percent of operating income	**129%**	99%	**n/a**	95%	n/a
Purchases of capital assets	**(152)**	(115)	**37%**	(135)	(15%)
Other investing activities	**(47)**	(10)	**370%**	(250)	(96%)
Long-term debt issues (repayments)	**58**	(16)	**n/m**	256	n/m
Shares issued by MDS and subsidiaries	**5**	43	**(88%)**	206	(79%)
Deferred income and other	**(11)**	(75)	**(85%)**	93	n/m
Other financing activities	**(26)**	(31)	**(16%)**	(36)	(14%)

Operating cash flows—Cash from operations increased sharply in 2002 on the strength of growth in operating income. Cash from operations represented 129% of operating income in 2002 compared to 99% and 95% in 2001 and 2000, respectively. The significant increase in 2002 is because net income for 2001 and 2000 included significant non-cash dilution gains. Cash invested in working capital amounted to $88 million, mostly due to investment in accounts receivable and a reduction in deferred income.

Purchases of capital assets—Over the past three years we have invested in a number of large capital projects. These capital projects include:

	2002	2001	2000
MAPLE isotope facility	**$ 43**	$ 30	$ 64
Radiopharmaceutical manufacturing facility and cobalt production capacity	**21**	4	1
Vancouver cyclotron	**13**	2	—
Pharma Services facility expansion	**26**	7	—
MDS Proteomics	**3**	29	9
Other capital expenditures	**46**	43	61
Total purchases of capital assets	**$ 152**	$ 115	$ 135

Construction costs associated with the MAPLE project now total $291 million, making it the second largest investment ever made by MDS, after the purchase of Phoenix. Total costs include capitalized financing costs over the life of the project of $36 million, and equipment installation and testing amounting to $49 million, of which $15 million were incurred in fiscal 2002. Completion of MAPLE has been delayed nearly 2½ years beyond the planned completion date due primarily to construction deficiencies and associated regulatory delays. We are currently pursuing options for reimbursement of a portion of the cost overrun caused by the delay. No provision for any additional recovery of these costs has been recorded.

The large capital projects listed above serve a dual purpose of maintaining and upgrading existing facilities as well as expanding our production capacity for key lines of business.

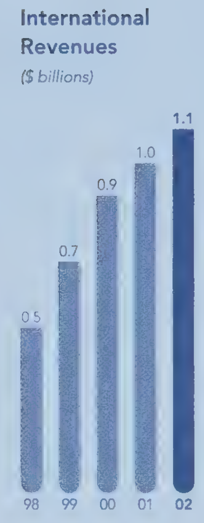
Other investing activities—During 2002, we invested $24 million in Iconix Pharmaceuticals Inc. in connection with the joint development of a new chemogenomics database sold under the trade name DrugMatrix™ by a third partner, Incyte Genomics Inc. Under the terms of the joint development project, MDS provides pharmacology profiling services to populate the database while Iconix provides technology to access and manipulate the information.

Other investing activities in fiscal 2000 predominately comprise acquisitions made in the year, including the net cash component of the $497 million acquisition of Phoenix. The purchase of Phoenix was partially financed by the issuance of Common shares valued at $236 million. The cash cost of this and other acquisitions was financed during the course of the year through the issuance of $256 million of long-term debt.

Deferred income and other—Included in deferred income and other in fiscal 2000 is $79 million of proceeds received from the sale of Special Warrants by MDS Proteomics. Under the terms of the Warrants, MDS retained an obligation to purchase the Warrants from investors for an agreed price in the event that MDS Proteomics failed to complete an initial public offering. We recorded this obligation as a long-term liability in deferred income and other. During 2001, the majority of Warrant holders exercised their right to put the Warrants to MDS, resulting in a $78 million reduction in this long-term obligation. The remaining Warrants were purchased by MDS in fiscal 2002 for cash consideration of $3 million and the issuance of 334,225 Common shares.

Risks and Uncertainties

This section outlines risks and uncertainties that can have an impact on our operating results and financial position over the course of a year. A more detailed discussion of long-term risks and uncertainties and industry trends is contained in our Annual Information Form.



Exposure to foreign currencies

Approximately 37% of Life Sciences revenue is earned outside of Canada and a further 55% results from exports from Canada. The majority of our exported products and a significant component of our foreign activities are denominated in US dollars. We believe that continued expansion outside of Canadian markets is essential if we are to achieve our 15% growth targets, but this growth will subject MDS to volatility associated with changes in the value of the Canadian dollar.

We manage this exchange rate risk principally through the use of forward contracts. At October 31, we had outstanding US dollar forward contracts totalling US$286 million at an average rate of $1.59 covering the period November 2002 to September 2004. We treat these contracts as hedges for accounting purposes. The value of the Canadian dollar approached historic lows in the early part of fiscal 2002 and we purchased a substantial portfolio of hedge contracts at that time. In the latter part of 2002, the Canadian dollar strengthened and, as a result, our contracts have incurred an unrealized increase in market value of $3 million. We do not hedge our revenue or expense stream for locations based outside of Canada and we are, therefore, exposed to the impact of currency fluctuation in these areas.

Acquisition and integration

During the past several years, MDS has made acquisitions of various sizes, particularly in the Isotope and Pharmaceutical Services areas. Our acquisition strategy has focused on identifying and purchasing companies that fit specific niches within our overall corporate strategy. These acquisitions involve the commitment of capital and other resources, and large acquisitions, such as the purchase of Phoenix in 2000, will have a major financial impact in the year of acquisition and later. The speed and effectiveness with which we integrate the acquired companies into existing businesses can have a significant short-term impact on our ability to achieve our growth and profitability targets.

Research and development

During fiscal 2002, we spent $85 million on research and development, principally within our analytical instruments and Proteomics business units. All of our businesses depend to one extent or another on our ability to maintain technological superiority and our ability to provide leading-edge solutions to our customers. Ongoing investment in R&D will be required to maintain our competitive position. The likelihood of success for any R&D project is difficult to predict. We manage our R&D projects against tightly defined project outlines that prescribe expected deliverables for each stage of a project. Projects must deliver certain measurable outcomes that we believe are indicators of the likelihood of future success in order to proceed through these design gates and qualify for additional funding.

The R&D we conduct supports a portfolio of intellectual property (IP) in our businesses. We believe that this technology and know-how provides us with an important competitive advantage. Certain of our businesses, particularly in analytical instruments, operate in highly competitive environments where technological advance is a key success factor. We vigorously defend our IP from unauthorized use by other parties, and in 2002, we were successful in our claims against Micromass. Despite our best efforts, we cannot ensure that we will be able to prevent unauthorized use of our IP in all cases.

A significant portion of our Canadian research and development activities is funded in part by tax credits. These credits are recorded as a reduction in R&D expense. A change in taxation policy or regulations regarding the nature of R&D activities supported could have a material impact on the overall cost of our R&D program.

Supply of reactor isotopes

Interest in radiation-based sterilization applications has been strong; however, worldwide supplies of the cobalt isotope used for sterilization are limited. We have taken steps to build additional cobalt processing capacity with our primary supplier, Ontario Power Generation Inc. This new supply will begin to be available to us in 2003. Production of cobalt takes 18 to 24 months through the utilization of special processes in certain reactors used for generating electricity. Availability of the cobalt for our use is dependent on maintenance schedules for the reactors. Changes in these schedules could impact the timing of our cobalt purchases.

Medical isotopes are produced in research reactors and in cyclotrons. These facilities are expensive to build and to operate and there are a limited number of them in the world. The most common reactor isotope used for medical purposes is molybdenum that we acquire from Atomic Energy of Canada Limited (AECL). We are constructing our own reactors and processing facility to increase the available supply and provide back-up capacity. We have experienced delays in completing this facility and until this facility begins operating we remain dependent on the existing NRU reactor operated by AECL. This reactor is to be decommissioned in 2005 and currently produces the majority of our molybdenum supply. We have back-up arrangements in place; however, until the MAPLE facility is fully functional, we are exposed to risk of failure of the NRU reactor.

Government regulation and funding

Our Life Sciences businesses operate in an environment in which government regulations play a key role. Changes in regulations can have the effect of increasing the costs we incur to provide our products and services. Delays in achieving required government approvals impact the timing and cost of our capital expansion programs, as is the case for our MAPLE isotope facility. We manage this risk to the degree possible through active participation in the review and approval process with regulatory bodies such as the Canadian Nuclear Safety Commission.

Delays can also impact our drug development revenues if our customers are unable to move compounds from one stage to the next in a timely manner. We mitigate this risk by limiting our exposure to individual compounds and customers and maintaining a balanced portfolio of development contracts.

Our diagnostics businesses in Canada and the US are heavily dependent on both government licensing and government funding. The level of government funding directly reflects government policy related to health care spending, and decisions can be made regarding funding that are largely beyond our control. The level of reimbursement for diagnostic testing can have a material impact on our operating results and cash flows in a year.

Financing MDS Proteomics

MDS Proteomics expects to invest heavily over the next several years in new and developing technologies. These technologies hold the promise of revolutionizing the way in which drugs are discovered and developed. Information and methods discovered may also have diagnostic applications. MDS has financed the major portion of this development spending for the past three years but more recently financing has been arranged with strategic partners. Continuation of this research will require significant funds and the availability of funding on reasonable terms will be an important determinant of the ability of the company to pursue its research program. Although we are focused on attracting additional investors and strategic partners to MDS Proteomics, it is not possible to predict the likelihood or timing of new investment or other relationships.

Venture capital investments

The financial markets have been difficult for biotechnology companies this year. We are monitoring these markets, both for the impact on our own long-term investments, and for possible opportunities to invest in new technologies at attractive valuations. We carry venture investments on our books at cost. Many companies have had difficulty raising funds this year and from time to time it is a possibility that financings may occur at values that are lower than our current carrying value. While we believe that our portfolio, taken as a whole, is reasonably valued, future financings may lead us to record provisions reducing the carrying value of some of these investments.

Litigation and insurance

From time to time during the normal course of business, the Company and its subsidiaries are subject to litigation. At the present time there is no material outstanding litigation that is not covered by our insurance policies and that could have a material adverse impact on the Company's results or its financial position. We are aware of no threatened or pending litigation which could have any material adverse impact. We maintain a global insurance program with liability coverage up to $70 million to protect us from the financial risk associated with a claim made against us. Recent events have made liability insurance considerably more expensive and have reduced the availability of coverage. Our ability to maintain insurance coverage with adequate limits and at a reasonable cost may be impacted by market conditions beyond our control.

Outlook

We are pleased with the results we achieved in fiscal 2002 and we believe that our businesses are well positioned as we enter 2003. Sales of analytical instruments grew at a near-record pace. Our API 4000 sold well and orders continue at a strong pace. We are also seeing strong order activity on the new Q TRAP™ instrument that we introduced this year. We are working on other new products that will be introduced over the next several quarters and we expect revenue growth in this business to be at traditional levels in 2003.

Our pharmaceutical research services rebounded nicely in 2002 and this business enters 2003 with improved momentum. We signed new late-stage contracts during 2002 and our backlog is strong. While early-stage contracts typically extend only a few months, the strength in this market is encouraging as we look to next year. Our success with our new program management offering and with our dedicated clinical pharmacology agreement with Sankyo Pharma opens new growth opportunities for us.

Our medical isotopes business continues to perform well and we are seeing initial signs that Zevalin will sell well now that the reimbursement codes are in place. We are currently working on several other radiotherapeutic products and these products offer significant opportunities for growth in isotopes beyond fiscal 2003. Our investments in a new cyclotron, radiopharmaceutical manufacturing and processing capacity and the MAPLE facility will enable us to exploit these global opportunities and to extend our position as a pre-eminent supplier of critical medical isotopes.

Our diagnostics businesses have experienced two strong years and we are pleased with the progress made in setting more appropriate fee levels. Canadian operations are expected to operate smoothly next year and the more significant growth opportunities remain in the US market. We expect completion of the Duke agreement to open new doors for us in this important market. Our growing credibility in this market is demonstrated by our new working relationships with Duke and with ARUP.

Spending by MDS Proteomics had a dramatic impact on our reported earnings for 2002. We expect spending by MDS Proteomics to be below current levels in 2003 and will continue to work towards raising additional outside capital. The overall impact on earnings is expected to be similar to this year, as tax losses will no longer create accounting tax assets.

Management

The accompanying consolidated financial statements of **MDS Inc.** have been prepared by management in accordance with generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in note 1 to the financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been prepared within reasonable limits of materiality.

The Board of Directors has appointed an Audit Committee consisting of three outside directors. The Committee meets during the year to review with management and the auditors any significant accounting, internal control and auditing matters, and to review and finalize the annual financial statements of the Company along with the independent auditors' report prior to the submission of the financial statements to the Board of Directors for final approval.

The financial information throughout the text of this annual report is consistent with the information presented in the financial statements.

The Company's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable.

External Auditors

The auditors' opinion is based upon an independent and objective examination of the Company's financial results for the year, conducted in accordance with generally accepted auditing standards. This examination encompasses an understanding and evaluation by the auditors of the Company's accounting and internal control systems as well as the obtaining of a sound understanding of the Company's business. The external auditors conduct appropriate tests of the Company's transactions and obtain sufficient audit evidence in order to provide them with reasonable assurance that the financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles, thus enabling them to issue their report to the shareholders.

Ernst & Young LLP, Chartered Accountants, having been appointed by the shareholders to serve as the Company's external auditors, have examined the consolidated financial statements of the Company and have reported thereon in their December 18, 2002 report.

AUDITORS' REPORT

To the Shareholders of MDS Inc.

We have audited the consolidated statements of financial position of **MDS Inc.** as at October 31, 2002 and 2001 and the consolidated statements of income, retained earnings and cash flows for each of the years in the three-year period ended October 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2002 and 2001 and the results of its operations and its cash flow for each of the years in the three-year period ended October 31, 2002 in accordance with Canadian generally accepted accounting principles.

The Company changed its methods of accounting for goodwill and other intangible assets and earnings per share in 2002, and for pension benefits in 2001, as described in note 1.

Toronto, Canada
December 18, 2002

Ernst & Young LLP

Chartered Accountants

As at October 31 (millions of Canadian dollars)	2002	2001
ASSETS		
Current		
Cash and cash equivalents	$ 194	$ 183
Accounts receivable (note 7)	328	299
Inventories (notes 2 & 7)	153	162
Income taxes recoverable	21	8
Prepaid expenses	25	24
Future tax assets (note 12)	—	5
	721	681
Capital assets (notes 3 & 7)	740	661
Future tax assets (note 12)	35	72
Long-term investments and other (note 4)	267	212
Goodwill	779	776
Total assets	$ 2,542	$ 2,402
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness (note 7)	$ 10	$ 12
Accounts payable and accrued liabilities	317	320
Deferred income	63	89
Income taxes payable	17	22
Current portion of long-term debt (note 7)	13	17
	420	460
Long-term debt (note 7)	602	536
Deferred income and other (notes 6(b) & 8)	59	81
Future tax liabilities (note 12)	51	21
Minority interest	56	61
	1,188	1,159
(Commitments and contingencies—note 16)		
Shareholders' equity		
Share capital (note 9)	805	789
Retained earnings	543	457
Cumulative translation adjustment (note 18)	6	(3)
	1,354	1,243
Total liabilities and shareholders' equity	$ 2,542	$ 2,402

Incorporated under the Canada Business Corporations Act
See accompanying notes

On behalf of the Board:

Wilfred G. Lewitt
Director

Robert W. Luba
Director

CONSOLIDATED STATEMENTS OF INCOME

Years ended October 31 (millions of Canadian dollars)	2002	2001	2000
Revenues	$ 1,792	$ 1,636	$ 1,435
Direct costs	(1,132)	(1,067)	(953)
Other operating costs	(369)	(342)	(265)
Depreciation and amortization	(87)	(78)	(59)
Restructuring activities, net (notes 6 & 10)	—	2	(14)
Equity earnings and investment gains	8	3	34
Operating income	212	154	178
Gain from issue of shares by a subsidiary (note 6(b))	—	54	37
	212	208	215
Interest expense	(17)	(20)	(22)
Dividend and interest income	6	12	11
Minority interest	(5)	(2)	(9)
Income before income taxes	196	198	195
Income taxes (note 12)—current	(59)	(92)	(63)
—future	(32)	10	(4)
Income before amortization of goodwill	105	116	128
Amortization of goodwill	—	(43)	(18)
Net income	$ 105	$ 73	$ 110
Earnings per share (note 9(e))—basic	$ 0.75	$ 0.52	$ 0.86
—diluted	$ 0.74	$ 0.51	$ 0.84

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended October 31 (millions of Canadian dollars)	2002	2001	2000
Retained earnings, beginning of year	$ 457	$ 405	$ 324
Net income	105	73	110
Repurchase of shares and options (note 9)	(6)	(9)	(19)
Dividends	(13)	(12)	(10)
Retained earnings, end of year	$ 543	$ 457	$ 405

See accompanying notes

Years ended October 31 (millions of Canadian dollars)	2002	2001	2000
Operating activities			
Net income	$ 105	$ 73	$ 110
Items not affecting current cash flow (note 14)	169	79	59
Cash flow from operations	274	152	169
Changes in non-cash working capital balances relating to operations (note 14)	(88)	(75)	(40)
	186	77	129
Investing activities			
Acquisitions (note 6)	(16)	(15)	(214)
Purchase of capital assets	(152)	(115)	(135)
Proceeds on divestitures	23	—	—
Purchase of long-term investments and other	(54)	(9)	(26)
Other	—	14	(10)
	(199)	(125)	(385)
Financing activities			
Long-term debt issued	69	212	320
Long-term debt repayments	(11)	(228)	(64)
Increase in deferred income and other	(11)	(75)	93
Payment of cash dividends	(10)	(10)	(8)
Issuance of shares	5	5	206
Repurchase of shares and options	(5)	(11)	(20)
Issuance of shares of subsidiary for cash	—	38	—
Minority interest distributions	(10)	(7)	(9)
Cash effects of translation of foreign subsidiaries	(1)	(3)	1
	26	(79)	519
Increase (decrease) in cash position during the year	13	(127)	263
Cash position, beginning of year	171	298	35
Cash position, end of year	$ 184	$ 171	$ 298

Cash position comprises cash and cash equivalents less bank indebtedness
See accompanying notes

	2002	2001	2000
Cash interest paid	$ 19	$ 30	$ 26
Cash income taxes paid	$ 24	$ 62	$ 26

1. Accounting Policies

These consolidated financial statements of MDS Inc. ("MDS" or "the Company") have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company, its subsidiaries and its proportionate share of the accounts of its joint ventures. All significant intercompany balances and transactions have been eliminated. The impact of material differences between Canadian and United States ("US") generally accepted accounting principles are set out in note 20.

Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported values of assets and liabilities and the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Significant accounting policies are as follows:

Long-term investments and other

The accounts of all subsidiary companies are consolidated from the dates of acquisition.

Investments in joint ventures are accounted for using the proportionate consolidation method. Under this method the Company's proportionate share of joint venture revenues, expenses, assets and liabilities is included in the accounts.

Investments in significantly influenced companies are accounted for by the equity method.

Other long-term investments are carried at cost. If there is an other-than-temporary decline in value, these investments are written down to the estimated net realizable value.

Inventories

Inventories are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

Capital assets

Capital assets are carried in the accounts at cost less accumulated depreciation and amortization. Gains and losses arising on the disposal of individual assets are recognized in income in the year of disposal.

Costs, including financing charges and certain design, construction, and installation costs, related to assets that are under construction and in the process of being readied for their intended use, are recorded as construction in progress and are not subject to depreciation.

Depreciation and amortization, which are recorded from the date on which each asset is placed in service, are provided for on a straight-line basis over the estimated useful lives of the capital assets as follows:

Buildings	2.5%–4%
Equipment	10%–33%
Computer systems	20%–33%
Leaseholds	Term of the lease plus all renewal periods, to a maximum of 20 years.
Facility modifications	Costs of modifications to facilities owned by others to permit isotope production are deferred and amortized over the contractual production period.

Research and development costs

The Company carries on various research and development programs, some of which are funded in part by customers and joint venture partners. Funding received is accounted for using the cost reduction approach. Net research costs are expensed as incurred. Development costs, which meet generally accepted criteria including reasonable assurance regarding future benefits, are deferred and amortized over periods ranging from three to seven years.

Goodwill

Goodwill arises on business acquisitions and comprises the excess of amounts paid over the fair value of net identifiable assets acquired.

Effective November 1, 2001, the Company adopted the requirements of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3062, "Goodwill and Other Intangible Assets." Under the new standard, goodwill and intangible assets with indefinite useful lives are no longer amortized but are subject to an impairment review at least annually. As of the adoption date, the Company completed impairment testing on the balance of goodwill and intangible assets and no impairment loss was recorded. The Company has determined that it has no intangible assets of indefinite life.

The carrying value of goodwill is assessed at least annually to determine if a permanent impairment exists. This assessment is based on the estimated fair value of the business to which the goodwill relates.

Retirement plans

MDS has adopted the new CICA recommendations with respect to accounting for pension benefits prospectively, effective November 1, 2000.

The current service cost of pensions and other post-employment benefit plans (such as medical and dental care, life insurance and compensated absences) is charged to income annually. Cost is computed on an actuarial basis using the projected benefits method and based on management's best estimates of investment yields, salary escalation and other factors. Adjustments resulting from plan amendments, experience gains and losses, or changes in assumptions are amortized over the remaining average service term of active employees.

Revenues

Revenues are recorded when goods or services are provided to customers. Certain revenues received from diagnostic laboratory testing services are subject to future adjustment on settlement and are recorded based on management's estimate of amounts that ultimately will be realized by the Company. Adjustments, if any, are recorded in the period in which negotiations are completed.

Certain contract revenues are recognized using the percentage of completion method. Losses, if any, on such contracts are provided for in full at the time they are identified. Customer advances and billings in excess of costs plus estimated profits on contracts in progress are shown as liabilities.

Stock-based compensation plan

The Company has a share-based compensation plan as described in note 9(b). No expense is recognized for this plan when stock options are granted to employees. Any consideration paid by employees for the purchase of shares on the exercise of stock options is credited to share capital. Prior to October 31, 2002, if stock options were repurchased from employees, the consideration paid, net of related tax recoveries, was charged to retained earnings. Effective October 31, 2002, the plan was changed and the Company can no longer repurchase stock options.

Income taxes

The Company follows the liability method of income tax allocation. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Investment tax credits related to the acquisition of assets are deferred and amortized to income on the same basis as the related assets while those related to current expenses are included in the determination of income.

Foreign currency translation

Foreign operations are considered self-sustaining and are translated using the current rate method. Assets and liabilities are translated using the exchange rate in effect at the year-end and revenues and expenses are translated at the average rate for the year. Exchange gains or losses on translation of the Company's net equity investment in these subsidiaries and those arising on translation of foreign currency long-term liabilities designated as hedges of these investments are recorded as a separate component of shareholders' equity. The appropriate amounts of exchange gains or losses accumulated in the separate component of shareholders' equity are reflected in income when there is a reduction in the Company's net investment in these subsidiaries resulting from a cash distribution.

Earnings per share

Effective November 1, 2001, the Company adopted CICA Handbook Section 3500, "Earnings per Share," which requires the use of the treasury stock method to calculate diluted earnings per share. The requirements of Section 3500 were adopted retroactively and diluted earnings per share figures for the prior years were restated.

Cash and cash equivalents

Cash and cash equivalents include cash on account, demand deposits, and investments with maturities of three months or less.

2. Inventories

	2002	2001
Raw materials	$ 85	$ 70
Manufacturing work in process	23	22
Finished goods	37	47
Service contract work in process	8	23
	$ 153	$ 162

3. Capital Assets

	2002		2001	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 37	$ —	$ 33	$ —
Buildings	159	34	131	31
Equipment	350	201	351	187
Computer systems	141	83	139	85
Leaseholds	78	38	71	33
Facility modifications	40	23	43	29
Construction in progress	314	—	258	—
	1,119	$ 379	1,026	$ 365
Less: accumulated depreciation	(379)		(365)	
Net book value	$ 740		$ 661	

Construction in progress includes $36 million (2001—$29) of capitalized financing costs.

4. Long-term Investments and Other

	2002	2001
Investments in significantly influenced companies and partnerships	$ 42	$ 38
Assets pledged as security on long-term debt (note 7)	46	47
Venture capital investments	115	78
Other long-term investments	42	29
Other intangibles	22	20
	225	174
	$ 267	$ 212

(a) Operating income for the year includes $8 million (2001—$3; 2000—$9) as the Company's share of earnings of significantly influenced companies and partnerships.

(b) Certain long-term investments are in development-stage enterprises and, as such, have not yet earned significant revenues from their intended business activities or established their commercial viability. The recovery of invested amounts and the realization of investment returns is dependent upon the successful resolution of scientific, regulatory, competitive, political and other risk factors, as well as the eventual commercial success of these enterprises. Adverse developments could result in write-downs of the carrying values of these investments.

(c) Certain of the investments in significantly influenced companies and partnerships are subject to a formal valuation by other parties. The estimated fair value of these investments, as determined by these parties, amounts to $8 million (2001—$20) compared with a carrying value of $9 million (2001—$9).

Certain of the long-term investments held by the Company are considered to be financial instruments. Among these are several investments in shares of public companies. These marketable securities had a combined market value of $10 million (2001—$31) and a combined carrying value of $23 million (2001—$24). During 2000, the Company sold some of its holdings in these securities realizing gains of $25 million (2001—nil)

In addition to these marketable securities, the assets pledged as security on long-term debt have a fair value which approximates their carrying value. The estimated fair value of the remaining long-term investments is not readily determinable.

(d) Other intangibles includes $14 million of unamortized deferred development costs (2001—$18; 2000—$20).

5. Joint Ventures

The Company conducts certain of its businesses through incorporated and unincorporated joint ventures in which it holds approximately 50% interests. Following are condensed combined balance sheets and statements of income reflecting 100% of joint venture operations in which the Company has an interest:

	2002	2001	2000
Current assets	$ 207	$ 210	$ 215
Other assets	78	79	73
	$ 285	$ 289	$ 288
Current liabilities	$ 101	$ 126	$ 188
Long-term debt	19	22	7
Equity	165	141	93
	$ 285	$ 289	$ 288
Net revenues	$ 878	$ 716	$ 649
Operating income	$ 179	$ 95	$ 88
Cash flow from operating activities	$ 149	$ 70	$ 145

Cash outflow from investing activities for the joint ventures totalled $20 million (2001—$24; 2000—$30) and cash inflow (outflow) from financing activities (excluding transactions with partners) totalled ($3) million (2001—$4; 2000—$1).

6. Acquisitions and Divestitures

(a) Life Sciences and Health Segments

2002—During the year, the Company disposed of a part of its therapy systems business and a part of its distribution business for total proceeds of $23 million. No gain or loss resulted from the sale of the isotope business. A loss of $7 million was recorded on the sale of the distribution business. These businesses had annual revenues of $14 million and $46 million respectively.

2001—During fiscal 2001, the Company made a number of small acquisitions in the Health segment at a total cost of $3 million. Companies acquired in fiscal 2001 had annualized revenues of $2 million and accounted for $1 million of revenues reported during the year.

2000—Effective April 7, 2000, the Company acquired 100% of the outstanding shares of Phoenix International Life Sciences Inc. ("Phoenix") of Montreal, Canada. Phoenix was a contract research organization with operations in Canada, the United States, and Europe. On acquisition, the Company set up a liability for integration costs of $27 million. As at October 31, 2002, the accrual has been fully utilized.

Effective March 6, 2000, the Company acquired 100% of the outstanding shares of INH Technologies Inc., a mass spectrometry equipment and accessories company in Calgary, Canada for cash. Effective October 25, 2000, the Company acquired the remaining 50% of Protana AS ("Protana") which it did not already own. Consideration for the acquisition of Protana comprised treasury shares issued by a subsidiary of the Company. As a result, the Company's interest in this subsidiary was reduced and MDS has realized a gain from the issuance of these shares totalling $37 million.

During 2000, the Company completed the acquisition of the shares of Scientific China, Inc. that it did not previously own. Following the acquisition, MDS fully provided for $14 million of deferred start-up costs as restructuring activities.

Companies acquired in fiscal 2000 had annualized revenues of $345 million and accounted for $187 million of revenues reported in 2000.

(b) MDS Proteomics

During 2000, MDS Proteomics Inc. ("MDS Proteomics") completed an issue of 3.3 million Special Warrants, raising $79 million in net proceeds. Each Special Warrant could be exchanged for one Common share of MDS Proteomics and was recorded as a long-term obligation in deferred income and other.

In April 2001, MDS acquired 2.9 million of the Special Warrants at a cost of $78 million. Immediately thereafter the Special Warrants were converted to Common shares. In 2002, MDS acquired the balance of the Special Warrants for $3 million in cash and the issuance of 334,225 Common shares.

During 2001, MDS Proteomics issued treasury shares for cash of $38 million. As a result, the Company's interest in MDS Proteomics was reduced and MDS recorded gains from issuance of these shares totalling $31 million. In January 2001, MDS Proteomics issued treasury shares and options in exchange for the 28% of MDS Ocata Inc. that it did not already own. As a result, MDS's interest in MDS Proteomics was reduced and MDS recorded a gain from the issuance of these shares totalling $23 million.

During 2002, the holders of a put option relating to a previous year's acquisition caused MDS Proteomics to redeem 480,000 of its Common shares at a price of $25 per share. MDS has recorded the payment as a purchase of an additional interest in MDS Proteomics, the majority of which has been recorded as goodwill. MDS's interest in MDS Proteomics increased to 89% because of the redemption.

The total cost of the acquisitions described in (a) and (b) above has been allocated as follows:

	2002	2001	2000
Working capital	$ —	$ (2)	$ (77)
Capital assets	—	—	95
Other long-term assets	—	1	42
Goodwill	14	49	481
	14	48	541
Amounts previously invested	—	—	(4)
Long-term debt and other obligations	10	—	(84)
Minority interest	—	(33)	(3)
Shares issued (2002—334,225; 2000—12,500,000)	(8)	—	(236)
Total cash consideration	$ 16	$ 15	$ 214

7. Credit Facilities

	Maturity	2002	2001
Long-term credit facilities	2005 to 2015	$ 510	$ 457
Other	2003 to 2015	105	96
Total long-term debt		615	553
Current portion		(13)	(17)
		$ 602	$ 536

The Company has long-term credit facilities comprising a $150 million committed revolving five-year term loan, due June 2, 2003, a $216 million one-year term loan due February 8, 2003 (the "Expiring Facilities") and a $150 million 364-day extendible revolving credit with a two-year term option. Amounts borrowed under these facilities bear interest at floating rates to a maximum of prime and are unsecured and subject to certain standard covenants. Long-term credit facilities at October 31, 2002 included US$157 million of borrowings (2001—US$139).

Subsequent to the year-end, the Company completed a private placement of US$311 million of Senior Unsecured Notes payable (the "Notes"). The Notes bear fixed interest at rates between 5.15% and 6.19% and have various terms between five and twelve years. Proceeds of the Notes will be used to repay and cancel the Expiring Facilities. As a result, the Expiring Facilities have been classified as long-term.

Other long-term debt includes a non-interest bearing government loan with a carrying value of $50 million (2001—$51) discounted at an effective interest rate of 7%. A long-term investment has been pledged as security for the repayment of this debt (note 4). The remaining debt, amounting to $52 million (2001—$45), bears interest at annual variable rates tied to bank prime.

Principal repayments of long-term debt, reflecting the impact of the issuance of the Notes, are required as follows:

2003	$ 13
2004	14
2005	35
2006	10
2007	22
Thereafter	521
	$ 615

The Company has operating lines of credit totalling $168 million. Specific charges on accounts receivable, inventories, and capital assets have been pledged as security for certain of these lines of credit totalling $35 million. As at October 31, 2002, the Company has borrowed $10 million (2001—$12) related to these credit facilities.

Under the terms of its operating and certain term credit arrangements, the Company is able to make use of bankers' acceptances to borrow at effective interest rates which are, from time to time, lower than bank prime. As bankers' acceptances or similar short-term credit vehicles represent the majority of the Company's long-term debt at October 31, 2002, the carrying value of such debt is a reasonable estimate of its fair value.

8. Deferred Income and Other

Long-term obligations include $38 million of deferred income (2001—$39), of which $37 million arose as a result of the non-interest bearing debt in note 7, and is being amortized over fifteen years using the sum of the years' digits method.

9. Share Capital

(a) Summary of issued share capital

Prior to March 7, 2000, the authorized share capital consisted of an unlimited number of Class A Common shares and Class B Non-Voting shares without par value.

	Class A Common		Class B Non-Voting		Total
(number of shares in thousands)	Number	Amount	Number	Amount	Amount
Balance—October 31, 1999	12,331	$ 22	47,238	$ 317	$ 339
Issued to March 6, 2000	—	—	54	2	2
Conversions and repurchases	(2)	—	(38)	(1)	(1)
Balance—March 6, 2000	12,329	$ 22	47,254	$ 318	$ 340

On March 6, 2000, the shareholders of the Company approved a resolution creating a new class of Common shares for the Company. All existing Class B Non-Voting shares were converted to Common shares on a one-for-one basis. All existing Class A Common shares were converted to Common shares on the basis of 1.05 Common shares for each Class A Common share. On September 26, 2000, the Company effected a two-for-one stock split through the payment of a stock dividend. The terms of all existing share-based plans have been revised accordingly.

	Common Shares	
(number of shares in thousands)	Number	Amount
Balance—October 31, 2000	139,470	$ 782
Issued during 2001	436	8
Conversions and repurchases	(229)	(1)
Balance—October 31, 2001	139,677	789
Issued during 2002	878	16
Conversions and repurchases	(48)	—
Balance—October 31, 2002	**140,507**	**$ 805**

During the year, the Company declared and paid cash dividends of $10 million on Common shares (2001—$10; 2000—$8).

During the year, the Company repurchased 48,300 Common shares (2001—228,900) for $1 million (2001—$4; 2000—$6) under the terms of a Normal Course Issuer Bid. The excess over the stated capital of the acquired shares was charged to retained earnings.

(b) Stock option plan

The Company has a stock option plan (the "Plan") primarily for senior management employees. Under the terms of the Plan the Company may grant options to eligible employees and certain others to maximum amounts as set out below. The exercise price of options issued under the Plan equals the market price of the underlying shares on the date of the grant. Options vest evenly over five years and have a maximum term of ten years.

	2002		2001	
	Number (000s)	**Exercise Price**	Number (000s)	Exercise Price
Maximum available for issue	**12,158**		12,315	
Outstanding November 1	**6,924**	**$ 13.87**	6,305	$ 11.40
Granted	**1,813**	**19.14**	1,430	21.94
Exercised	**(157)**	**3.82**	(37)	3.59
Cancelled	**(858)**	**11.44**	(774)	8.89
Outstanding October 31	**7,722**	**$ 15.58**	6,924	$ 13.87
Options vested at year-end	**3,404**	**$ 12.07**	3,109	$ 9.57

Options outstanding at October 31, 2002 comprise:

		Options Outstanding		Options Exercisable	
Range of Exercise Prices	Weighted Average Remaining Contractual Life (Years)	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
$ 2.97 – $ 6.35	**3.2**	**1,508**	**$ 7.18**	**1,508**	**$ 7.18**
$ 13.88 – $ 14.88	**6.8**	**2,101**	**$ 14.13**	**968**	**$ 14.18**
$ 15.45 – $ 18.98	**8.3**	**2,473**	**$ 17.82**	**595**	**$ 15.69**
$ 19.69 – $ 31.50	**8.2**	**1,640**	**$ 21.80**	**333**	**$ 21.69**
		7,722	**$ 15.58**	**3,404**	**$ 12.07**

Prior to October 28, 2002, the Plan included terms which enabled option holders to request that the Company repurchase vested options. Under the terms of the Plan, approximately 654,000 options were repurchased in 2002 (2001—606,000; 2000—1,400,000) for $8 million (2001—$10; 2000—$26) and cancelled. Effective October 28, 2002 the terms of the Plan were amended and option holders are no longer able to request repurchase of their vested options.

(c) Pro forma impact of stock-based compensation

Companies are required to calculate and disclose, on a pro forma basis, compensation expense related to the fair value of stock options at the grant date in the notes to the consolidated financial statements. Compensation expense for purposes of these pro forma disclosures is to be determined in accordance with a methodology prescribed in CICA Handbook Section 3870 "Stock-based compensation and other stock-based payments."

The Company has utilized the Black-Scholes option valuation model to estimate the fair value of options granted based on the following assumptions:

	2002	2001	2000
Risk free interest rate	**4.2%**	5.0%	5.0%
Expected dividend yield	**1.0%**	1.0%	1.0%
Expected volatility	**0.298**	0.311	0.305
Expected time until exercise	**5.25**	5.25	5.25

The weighted average fair value of options granted is estimated at $5.98 per Common share in 2002, $7.39 per Common share in 2001 and $4.85 per Common share In 2000. For purposes of these pro forma disclosures, the Company's net income and basic and diluted earnings per share would have been:

	2002	2001	2000
Net income	**$ 98**	$ 65	$ 108
Earnings per share —basic	**$ 0.70**	$ 0.46	$ $0.85
—diluted	**$ 0.69**	$ 0.45	$ $0.83

For comparative purposes only, the above earnings per share amounts reflect the impact of compensation expense related to the fair value of stock options granted beginning in 2000 amortized over a five-year vesting period.

The Black-Scholes option valuation method used by the Company to determine fair values was developed for use in estimating the fair value of freely traded options that are fully transferable and have no vesting restrictions. This model requires the use of highly subjective assumptions, including future stock price volatility and expected time until exercise. Because the Company's outstanding stock options have characteristics that are significantly different from those of traded options, and because changes in any of these assumptions can materially affect the fair value estimate, in management's opinion, the existing models may not provide a reliable single measure of the fair value of its stock options.

(d) Stock Dividend and Share Purchase Plan and Employee Share Ownership Plan

Under the Company's Stock Dividend and Share Purchase Plan, shareholders may elect to receive stock dividends in lieu of cash dividends. Stock dividends are issued at not less than 95% of the five-day average market price (the "Average Market Price") of the shares traded on the Toronto Stock Exchange immediately prior to the dividend payment date. Plan participants may also make optional cash payments of up to $3,000 semi-annually to purchase additional Common shares at the Average Market Price.

Participation in this plan for the year ended October 31, 2002 resulted in the issuance of 171,193 Common shares (2001—140,009) as stock dividends and the issuance of 14,876 Common shares (2001—20,795) for cash.

Under the terms of the Company's Employee Share Ownership Plan, eligible employees are able to purchase Common shares at 90% of the Average Market Price for the period preceding the purchase. During the year, the Company issued 168,877 Common shares (2001—179,893) under this plan for $3 million (2001—$3) and 740,510 are reserved for issue.

(e) Earnings per share

(number of shares in millions)		2002		2001		2000
Net income available to Common shareholders	$	**105**	$	73	$	110
Weighted average number of Common shares outstanding—basic		**140**		140		128
Impact of stock options assumed exercised		**2**		2		3
Weighted average number of Common shares outstanding—diluted		**142**		142		131

Basic earnings per share have been calculated using the weighted average number of Common shares outstanding during the period. Basic earnings per share for 2002, 2001 and 2000 were $0.75, $0.83 and $1.01, respectively, and diluted earnings per share were $0.74, $0.81 and $0.98 respectively.

Diluted earnings per share have been calculated, using the treasury stock method, by dividing net earnings available to Common shareholders by the sum of the weighted average number of Common shares outstanding and all additional Common shares that would have been outstanding if potentially dilutive Common shares had been issued during the year. This method computes the number of incremental shares issued by first assuming that all outstanding stock options, with an exercise price less than the Average Market Price, are exercised. Secondly, the proceeds of the options exercised are assumed to be used for the repurchase of shares using the Average Market Price of MDS Common shares for the period.

10. Restructuring Activities

During 2001, the Company exited certain lines of business and restructured certain activities in the Life Sciences segment. The Company recorded a restructuring charge to cover costs associated with these activities, all of which were subsequently incurred. In addition, as a result of the amalgamation of certain legal entities, the Company became eligible for investment tax credits related to expenditures of prior years. No restructuring activities occurred during 2002. The details of the 2001 events are as follows:

2001		
Severance and termination	$	(6)
Assets written off		(20)
Other		(2)
Investment tax credits realized		30
		2
Income taxes		(5)
Net income effect	$	(3)

11. Research, Product Development and New Business Initiatives

		2002		2001		2000
Gross expenditures in the year	$	**85**	$	68	$	56
Investment tax credits		**(8)**		(10)		(7)
Recoveries from partners		**(17)**		(13)		(8)
Development costs capitalized		**(7)**		(4)		(13)
Amortization of amounts previously capitalized		**8**		6		4
Net expense for the year	$	**61**	$	47	$	32

12. Income Taxes

(a) Provision

The Company's effective income tax rate has the following components:

	2002 %	2001 %	2000 %
Combined Canadian federal and provincial tax rate	**38.4**	42.6	44.0
Increase (decrease) in tax rate as a result of:			
Research and development incentives	**(0.8)**	(2.6)	(0.6)
Manufacturing and processing rate	**(2.0)**	(2.8)	(3.2)
Tax rate on foreign operations	**1.6**	4.3	1.0
Investment dispositions and writedowns	**1.8**	2.2	1.7
Tax impact of minority interest and equity earnings	**0.5**	1.1	(0.8)
Federal capital taxes	**1.4**	0.5	0.4
Revaluation of future income tax assets	**—**	4.7	—
Other	**0.8**	(0.3)	(0.1)
	41.7	49.7	42.4
MDS Proteomics losses not recognized	**4.7**	3.2	—
Gain from issue of shares by MDS Proteomics	**—**	(11.5)	(8.3)
Effective income tax rate	**46.4**	41.4	34.1

(b) Future tax assets and liabilities

Future tax assets and liabilities consist of the following temporary differences:

Future tax assets	**2002**	2001
Tax benefits of loss carryforwards		
Pre-acquisition	**$ 15**	$ 16
Post-acquisition	**48**	55
Tax basis in excess of book value	**—**	7
Investment tax credits	**8**	31
Provisions and reserves	**8**	7
Future tax assets before valuation allowance	**79**	116
Valuation allowance	**(44)**	(39)
Future tax assets	**$ 35**	$ 77

Future tax liabilities	**2002**	2001
Book value in excess of tax basis	**$ (57)**	$ (27)
Provisions and reserves	**6**	6
Future tax liabilities	**(51)**	(21)
Net future tax assets (liabilities)	**$ (17)**	$ 56

(c) Tax loss carryforwards

As at October 31, 2002, the Company has recorded future tax assets relating to income tax loss carryforwards of $63 million (2001—$71) before valuation allowances. These assets relate to $178 million (2001—$200) of tax loss carryforwards. Of the total losses, $53 million (2001—$66) expire between 2005 and 2009; $77 million (2001—$100) expire between 2010 and 2017; and the remaining $48 (2001—$34) may be carried forward indefinitely.

(d) Investment tax credits

During the year the Company recognized investment tax credits relating to research performed in Canada on its own behalf and on behalf of certain customers of $23 million (2001—$61). This amount was attributable to salaries and other research related expenditures incurred in the year and was recorded as a reduction of those expenses. $13 million of the ITCs realized in 2001 related to certain capital expenditures and were recorded as a reduction in the carrying values of the related assets.

13. Retirement Plans

The Company sponsors various post-employment benefit plans including defined benefit pension plans and plans that provide extended health care coverage to employees. All defined benefit pension plans sponsored by the Company are funded plans. Other post-employment benefits are unfunded.

Net periodic benefit costs for the Company's post-employment benefit plans comprise the following components:

	2002	2001	2000
Service cost	$ 7	$ 5	$ 6
Interest cost	10	9	8
Expected return on plan assets	(12)	(11)	(9)
Recognized actuarial gain	(1)	(1)	(1)
Amortization of net transition asset	(2)	—	—
Net periodic benefit cost	$ 2	$ 2	$ 4

The following assumptions were used in the determination of the net periodic benefit cost:

	2002	2001	2000
Return on plan assets	7.0%	7.0%	7.0%
Real rate of return	3.5%	3.5%	3.5%
Discount rate	7.0%	7.0%	7.0%
Rate of compensation increase	4.8%	5.0%	5.5%
Health care cost trend rate—first six years	8.6%	8.1%	9.0%
—thereafter	4.5%	4.5%	4.5%

Changes in the benefit obligation for the plans were as follows:

	2002	2001
Benefit obligations—beginning of year	$ 139	$ 127
Service cost—pension	5	3
—other benefit plans	2	2
Interest cost	10	9
Benefits paid	(2)	(2)
Actuarial gain	2	—
Benefit obligations—end of year	156	139
Non-pension benefit obligations—end of year	14	12
Total pension benefit obligations—end of year	$ 170	$ 151

Changes in the assets of the plans were as follows:

	2002	2001
Plan assets at fair value—beginning of year	$ 162	$ 169
Actual return on plan assets	(1)	(9)
Benefits paid	(2)	(2)
Company contributions	2	2
Participant contributions	2	2
Plan assets at fair value—end of year	$ 163	$ 162

Amounts recognized in the Company's consolidated statements of financial position related to the pension plan consist of:

	2002	2001
Plan assets in excess of projected obligations	$ 7	$ 23
Unrecognized actuarial loss (gain)	5	(23)
Unrecognized net transition asset	(2)	(3)
	$ 10	$ (3)

14. Cash Flow

Non-cash flow items affecting net income comprise:

Years ended October 31	2002	2001	2000
Depreciation and amortization	$ 87	$ 78	$ 59
Amortization of goodwill	—	45	21
Deferred income	—	—	(5)
Minority interest	5	2	9
Future income taxes	73	(10)	6
Equity earnings (net of distributions)	(3)	(1)	—
Restructuring activities	—	19	14
Dilution and other losses (gains)	7	(54)	(45)
	$ 169	$ 79	$ 59

Changes in non-cash working capital balances relating to operations include:

Years ended October 31	2002	2001	2000
Accounts receivable	$ (37)	$ (17)	$ (17)
Inventories	(4)	(24)	(11)
Accounts payable and deferred income	(33)	25	(49)
Income taxes	(14)	(47)	28
Other	—	(12)	9
	$ (88)	$ (75)	$ (40)

15. Segmented Information

Management has determined that the Company operates within three dominant segments—Life Sciences, Health and Proteomics. These segments are organized predominantly around customer groups identified for the businesses.

Life Sciences businesses supply products and services to manufacturers of medical products such as pharmaceuticals, medical devices and supplies. The products and services provided by Life Sciences businesses include pharmaceutical contract research services, isotopes and advanced analytical equipment.

Health businesses are focused on the provision of products and services to individuals and to institutions, which provide health care services to consumers. Health products and services include clinical laboratory testing and distribution of medical products.

Proteomics is focused on research and development in the field of proteomic-enabled drug discovery. Proteomics' products and services include capabilities in proteomics systems, technology, drug design, screening and biology.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. There are no significant inter-segment transactions.

Operating results

					Amortization	
		Net Revenues	Operating Income (loss) before Restructuring	Restructuring Activities	Capital Assets & Other Intangibles	Goodwill
Life Sciences	**2002**	**$ 1,068**	**$ 205**	**$ —**	**$ 52**	**$ —**
	2001	933	141	2	49	15
	2000	806	162	(14)	40	13
Health	**2002**	**$ 721**	**$ 59**	**$ —**	**$ 22**	**$ —**
	2001	700	64	—	19	10
	2000	627	42	—	18	7
Proteomics	**2002**	**$ 3**	**$ (52)**	**$ —**	**$ 13**	**$ —**
	2001	3	(53)	—	10	20
	2000	2	(12)	—	1	—
Total	**2002**	**$ 1,792**	**$ 212**	**$ —**	**$ 87**	**$ —**
	2001	1,636	152	2	78	45
	2000	1,435	192	(14)	59	20

Financial position

			Additions		
		Total Assets	Capital Assets	Goodwill	Investment in Investees Subject to Significant Influence
Life Sciences	**2002**	**$ 1,915**	**$ 130**	**$ —**	**$ 33**
	2001	1,773	65	7	29
	2000	1,831	203	470	28
Health	**2002**	**$ 448**	**$ 19**	**$ —**	**$ 9**
	2001	431	21	4	9
	2000	402	25	12	9
Proteomics	**2002**	**$ 179**	**$ 3**	**$ 15**	**$ —**
	2001	198	29	77	—
	2000	139	10	45	—
Total	**2002**	**$ 2,542**	**$ 152**	**$ 15**	**$ 42**
	2001	2,402	115	88	38
	2000	2,372	238	527	37

Revenues by customer location

		Canada	US	Europe	Asia	Other
Life Sciences	**2002**	**$ 91**	**$ 538**	**$ 290**	**$ 106**	**$ 43**
	2001	64	492	257	88	32
	2000	67	409	227	69	34
Health	**2002**	**$ 568**	**$ 153**	**$ —**	**$ —**	**$ —**
	2001	531	165	2	1	1
	2000	493	131	2	—	1
Proteomics	**2002**	**$ —**	**$ 1**	**$ 2**	**$ —**	**$ —**
	2001	—	2	1	—	—
	2000	—	2	—	—	—
Total	**2002**	**$ 659**	**$ 692**	**$ 292**	**$ 106**	**$ 43**
	2001	595	659	260	89	33
	2000	560	542	229	69	35

Export sales by Canadian operations during fiscal 2002 amounted to approximately $588 million (2001—$506; 2000—$456).

Capital assets and goodwill

		Canada	US	Europe	Asia	Goodwill
Life Sciences	**2002**	**$ 507**	**$ 37**	**$ 73**	**$ 11**	**$ 549**
	2001	435	40	50	13	565
	2000	401	55	42	13	581
Health	**2002**	**$ 55**	**$ 17**	**$ —**	**$ —**	**$ 114**
	2001	59	19	—	—	109
	2000	60	16	—	—	113
Proteomics	**2002**	**$ 30**	**$ —**	**$ 10**	**$ —**	**$ 116**
	2001	32	—	13	—	102
	2000	11	—	—	—	51
Total	**2002**	**$ 592**	**$ 54**	**$ 83**	**$ 11**	**$ 779**
	2001	526	59	63	13	776
	2000	472	71	42	13	745

Revenues by products and services

		Isotopes	Analytical Equipment	Pharmaceutical Research Services	Clinical Laboratory Services	Distribution	Proteomics
Total	**2002**	**$ 343**	**$ 217**	**$ 508**	**$ 531**	**$ 190**	**$ 3**
	2001	343	160	430	480	220	3
	2000	333	143	330	426	201	2

16. Commitments and Contingencies

(a) Operating expenses

As at October 31, 2002, the Company is obligated under premises and equipment leases to make minimum payments of approximately:

2003	$ 36
2004	31
2005	26
2006	21
2007	18
Thereafter	40
	$ 172

Rental expense under premises and equipment leases for the year ended October 31, 2002 was $50 million (2001—$49; 2000—$47).

(b) Other long-term commitments

The Company has commitments of $63 million associated with long-term supply arrangements with Ontario Power Generation Inc. and Atomic Energy of Canada Limited ("AECL"), which provide the Company with the majority of its supply of radioisotopes. In addition, the Company has contracted with AECL for the construction of two isotope reactors and a processing facility expected to be in operation by the second half of 2003. The estimated remaining cost of construction of these facilities is $22 million.

Other commitments and guarantees at year-end amounted to $81 million.

Subsequent to year-end, MDS undertook to guarantee a $20 million bank loan on behalf of an investee in exchange for warrants in the investee.

17. Financial Instruments

(a) Foreign exchange and interest rate contracts

The Company operates globally, which gives rise to a risk that its earnings and cash flows may be adversely impacted by fluctuations in foreign exchange conversion rates. From time to time the Company uses foreign exchange forward contracts to manage this foreign exchange risk. Certain Canadian operations of the Company will have net cash inflows in 2002 and subsequent years denominated in US dollars. The Company has purchased forward contracts to hedge a substantial portion of these net cash flows.

In addition, the Company utilizes forward rate agreements ("FRAs") to fix the interest rate on certain of its debt obligations and thereby reduce its exposure to fluctuations in market interest rates.

As of October 31, 2002, the Company had outstanding foreign exchange commitments to sell US$286 million at a weighted average rate of CDN$1.59 maturing over the next 24 months and interest rate agreements having a principal amount of US$50 million. The counterparties for all foreign exchange forward contracts and forward rate agreements entered into by the Company are major Canadian chartered banks.

(b) Credit risk

Certain of the Company's financial assets, including cash and short-term investments, are exposed to credit risk. The Company may, from time to time, invest in debt obligations and commercial paper of governments and corporations. Such investments are limited to those issuers carrying an investment grade credit rating. In addition, the Company limits the amount which is invested in issues of any one government or corporation.

The Company is also exposed, in its normal course of business, to credit risk from its customers. A significant portion of the outstanding accounts receivable at October 31, 2002 is due from provincial health authorities. No other single party accounts for a significant balance of accounts receivable.

(c) Fair value

Short-term investments, accounts receivable, accounts payable, accrued liabilities and income taxes—These assets and liabilities have short periods to maturity and the carrying values contained in the consolidated statements of financial position approximate their estimated fair value.

Forward contracts—Forward contracts are treated as hedges for accounting purposes. As at October 31, 2002, unrecognized gains (losses) on forward contracts accounted for as hedges amounted to $3 million (2001—($3)). As at October 31, 2002 unrecognized losses on interest rate agreements amounted to $1 million (2001—$1).

18. Cumulative Translation Adjustment

Unrealized translation adjustments arise on the translation of foreign currency denominated assets and liabilities of self-sustaining foreign operations. An unrealized foreign exchange gain of $6 million as at October 31, 2002 (2001—loss of $3) exists primarily due to the weakening of the Canadian dollar against the Euro and the strengthening of the Canadian dollar against the US dollar.

19. Comparative Figures

Certain figures for previous years have been reclassified to conform with the current year's financial statement presentation.

20. Reconciliation to Accounting Principles Generally Accepted in the United States

The following information is being provided to comply with certain disclosure requirements of the Securities and Exchange Commission ("SEC") of the United States.

(a) The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"), which differ in certain material respects from those applicable in the United States ("US GAAP"). The material differences, as they apply to the consolidated financial statements of the Company, are as follows:

i) The Company designates certain foreign exchange forward contracts as a hedge of future revenue streams. Under Canadian GAAP, the resulting gains and losses on the contracts are recorded in operations when the contracts mature in future periods. US GAAP does not permit deferral of gains and losses on revenue-stream hedging unless such contracts hedge committed future sales. Unrealized gains and losses on all contracts not specifically designated as hedges of committed future sales are recorded in earnings.

ii) Gains or losses on translation of the Company's foreign currency denominated long-term debt not accounted for as a hedge of foreign assets are deferred and amortized over the remaining term of the debt. Under US GAAP, gains or losses on translation are included in income as they arise, unless the debt was designated as a hedge of the net investment in foreign operations.

iii) Under Canadian GAAP, costs incurred during the start-up phase of new lines of business may be capitalized if certain criteria, related primarily to recoverability, are met. The Company defers such costs of start-up activities and amortizes them over periods ranging from three to seven years.

Under Canadian GAAP, product development costs that meet certain criteria are required to be capitalized and amortized over the future periods benefited.

Under US GAAP, such costs are included in income as incurred.

iv) Under Canadian GAAP, the premium paid on stock options that are repurchased for cancellation, net of applicable taxes, is charged to retained earnings. Under US GAAP, as prescribed by APB 25, where cash payments are made in respect of options issued prior to July 1, 2000, or where options are issued having a strike price below fair market value, the premium paid or the intrinsic value is considered to be compensation expense and deducted from income.

Under Financial Accounting Standards Board FIN 44, where a company has a practice of repurchasing stock options for cancellation for cash, the stock option plan is considered to be a variable compensation plan. Increases in the intrinsic value of non-vested stock options are amortized as a deduction from income over the remaining vesting period. Increases in the intrinsic value of vested options are charged directly to income. FIN 44 applies to options issued by the Company subsequent to June 30, 2000. (During fiscal 2002, the impact of changes in the intrinsic value in such options was not material.)

v) Under US GAAP, the cost of in-process research and development acquired as a result of a business acquisition is charged to income in the current year. Under Canadian GAAP, such costs are amortized over their estimated useful lives.

vi) Dilution gains on development stage subsidiaries are not reported in income under SEC accounting requirements.

vii) Under US GAAP, certain acquisition-related restructuring costs are expensed as incurred and are not included as part of the cost of acquisitions.

viii) Under US GAAP, investments in securities that are considered to be available for sale are to be reported at fair market value. Unrealized holding gains and losses on securities considered available for sale are recorded as a component of comprehensive income until realized. A decline in the fair value of securities available for sale that is considered other than temporary in nature is to be reported as a component of net income. Under Canadian GAAP, these securities are recorded at cost less any provision for declines in value considered to be other than temporary and related gains or losses are included in income when realized.

ix) The Company has interests in certain jointly controlled entities that are required to be proportionately consolidated in the Company's Canadian GAAP financial statements. For purposes of US GAAP, these interests would be accounted for by the equity method. Net income, earnings per share and shareholders' equity under US GAAP are not impacted by the proportionate consolidation of these interests in jointly controlled entities. Summary balance sheets and income statements, along with certain cash flow information, for the Company's joint venture investees are provided in note 5.

(b) The following table presents the effects on the consolidated statements of income of the above differences:

	2002	2001	2000
Net income under Canadian GAAP	**$ 105**	$ 73	$ 110
Adjustments:			
Unrealized gains (losses) on forward foreign exchange contracts	**6**	7	(13)
Unrealized gains (losses) on foreign currency denominated debt	**—**	—	(5)
Deferred start-up and development costs	**(15)**	(13)	(15)
Pension costs	**—**	—	1
Stock options repurchased	**(8)**	(13)	(24)
Write-off of acquired in-process R&D	**—**	—	(1)
Gain from issue of shares by a development-stage subsidiary	**—**	(54)	(37)
Acquisition related restructuring costs	**—**	1	(5)
Impairment of long-term investment	**—**	(2)	—
Income taxes	**7**	7	23
Net income under US GAAP	**$ 95**	$ 6	$ 34
Earnings per share under US GAAP:			
Basic	**$ 0.68**	$ 0.04	$ 0.26
Diluted	**$ 0.66**	$ 0.04	$ 0.26

Under US GAAP, the following consolidated statement of comprehensive income is required:

	2002	2001	2000
Net income under US GAAP	**$ 95**	$ 6	$ 34
Unrealized gain (loss) on share investments, net of tax	**(62)**	(62)	77
Foreign currency translation adjustments	**—**	(1)	2
Comprehensive income (loss)	**$ 33**	$ (57)	$ 113

(c) The following table indicates the significant items in the consolidated balance sheets that would have been affected had the consolidated financial statements been prepared under US GAAP. The revised amounts would have been as follows:

	2002	2001
Accounts receivable—trade	**$ 277**	$ 273
—other	**55**	26
Current future tax assets	**5**	9
Capital assets	**707**	636
Long-term future tax assets	**54**	91
Long-term investments	**193**	254
Goodwill	**773**	764
Accounts payable—trade	**139**	140
—other	**178**	179
Long-term future tax liabilities	**32**	56
Accumulated comprehensive income	**19**	61
Additional paid-in capital	**90**	90
Retained earnings	**379**	304

(d) For purposes of US GAAP, companies are required to disclose the pro forma impact on certain financial statement balances of acquisitions made during a year. Assuming these acquisitions occurred at the beginning of each respective year it would have increased (decreased) these amounts as noted below:

	2002	2001	2000
Revenues	**$ —**	$ 1	$ 159
Net income	**$ —**	$ —	$ (9)
Earnings (loss) per share	**$ —**	$ —	$ (0.07)

(e) Under accounting principles generally accepted in the United States, amortization of goodwill and restructuring provisions would be shown as part of income from operations and amortization of goodwill would not be presented on a net-of-tax basis. Earnings per share before amortization of goodwill would not be presented under accounting principles generally accepted in the United States.

Years ended October 31 (millions of Canadian dollars, except per share data)

	2002	2001	2000	1999
Operating Results				
Revenues	**$ 1,792**	$ 1,636	$ 1,435	$ 1,183
Operating income before goodwill amortization	**212**	154	178	154
Operating income before unusual items	**212**	154	178	154
Net income before unusual items	**105**	19	73	82
Net income before goodwill amortization	**105**	116	128	91
Net income	**105**	73	110	82
Financial Position				
Working capital	**301**	221	312	82
Capital assets	**740**	661	598	427
Other long-term assets	**1,081**	1,060	996	444
Total assets	**2,542**	2,402	2,372	1,299
Long-term debt	**615**	553	551	213
Shareholders' equity	**1,354**	1,243	1,185	669
Capital employed	**1,951**	1,787	1,619	934
Cash Flow				
Cash from operations	**274**	152	169	128
Net share capital issued (repurchased)	**—**	(6)	186	87
Cash dividends paid	**10**	10	8	6
Capital assets purchased	**152**	115	135	143
Acquisitions (divestitures)	**(7)**	15	214	53
Net issue (repayment) of long-term debt	**58**	(16)	256	17
Per Share Data				
Earnings per share before goodwill amortization	**0.75**	0.83	1.01	0.78
Earnings per share	**0.75**	0.52	0.86	0.70
Dividends paid	**0.0932**	0.0863	0.0788	0.0713
Book value per share	**9.63**	8.90	8.50	5.62
Price range	**25.10–18.48**	30.00–16.66	31.90–13.12	17.43–13.76
Weighted average shares outstanding (millions)	**140**	139	128	117
Statistics and Ratios				
Current ratio	**1.71**	1.48	1.67	1.24
Long-term debt to equity	**0.45**	0.45	0.46	0.32
Return on average equity (%)	**8**	6	12	14
Pre-tax return on capital employed (%)	**11**	9	14	16
Number of Employees	**10,885**	10,597	10,379	8,467

1998	1997	1996	1995	1994	1993	1992
$ 1,002	$ 930	$ 819	$ 689	$ 653	$ 663	$ 459
102	114	96	77	60	27	82
123	114	96	77	67	62	59
59	63	50	35	29	24	22
52	68	54	38	37	4	37
44	63	50	35	34	1	35
79	43	91	61	106	121	125
319	252	227	193	163	167	166
366	341	287	228	224	226	224
1,069	938	889	730	724	725	640
191	146	183	139	162	183	196
506	473	418	356	326	290	291
874	759	590	512	470	455	449
104	122	82	74	71	61	52
(12)	(8)	38	(1)	—	—	1
6	5	4	4	3	3	3
94	55	34	30	16	20	18
26	6	70	33	5	8	100
39	38	(32)	40	35	16	18
0.46	0.63	0.50	0.37	0.35	0.04	0.36
0.51	0.58	0.47	0.34	0.32	0.02	0.34
0.0638	0.0563	0.0500	0.0438	0.0400	0.0363	0.0363
4.48	4.19	3.95	3.40	3.11	2.79	2.82
17.25–12.00	17.38–9.35	9.56–5.00	5.00–3.31	3.75–3.00	4.19–2.65	5.25–3.50
113	113	109	104	105	104	103
1.36	1.14	1.32	1.25	1.50	1.60	2.00
0.38	0.31	0.44	0.39	0.50	0.63	0.67
9	14	13	10	11	1	13
15	17	17	15	13	13	15
7,065	6,830	6,670	6,136	5,863	5,930	5,223

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